The Butler Way System Book

A Plain Presentation of some Principles on Which Every Store, to Win, Must Be Right

PRICE ONE DOLLAR.

BUTLER BROTHERS

Exclusive Wholesalers of General Merchandise

NEW YORK CHICAGO ST. LOUIS MINNEAPOLIS DALLAS

The Butler Way System Book

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The "Why" of This Book

IT has been our observation, in the course of many years' close contact with retailers of every class, that the root reason so many merchants fall short of success is that they give too nearly all their time to buying and selling, and thus neglect the great principles of expense and investment. They generate plenty of power but lack control. They run their stores too loosely. There is not enough of the firm, restraining hand. They take too much for granted. In a word, they do not KNOW their business. Most books written in an effort to set the retailer right in these essentials fail because they are written for experts rather than for the man who must learn. This has left a very urgent need, and in an effort to fill it we have written The Butler Way System Book. We believe this book is thoroughly practical and workable and that it will enable the retailer to keep things straight in his store without using up too much energy in the keeping. We believe it will show how to get enough system without the risk of getting too much. The book was built out of a wealth of material gained from numerous sources. The knowledge of leading experts in each of our five houses was drawn on without reserve. So was the experience of the country's most successful retailers. Leading authorities in various lines were called into consultation. Then an effort was made to present these technical subjects in entirely non-technical language—to make them so plain that the busy merchant could apply them quickly and with reasonable ease to his individual problems. This matter of absolute plainness was our object from the very start, but we did not know how

well we had succeeded until one of the above mentioned experts read the chapter on "Profits and How to Figure Them." He pronounced all our findings correct, but criticized the general presentation of the subject on the ground that it was "too simple." If, from an expert point of view, the same verdict is pronounced on every chapter in this book, we shall be gratified in the thought that at last a system book of real help to the merchant has been produced. We firmly believe The Butler Way System Book is such a volume. We send it to you, therefore, with confidence that it is what you need—a book on system that actually systematizes.

Butler Brothers

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CHAPTER I.

The Price of Success

FOR the merchant who would win, the standard is rising. Methods of twenty-five years ago, or even ten years ago, won't do now.

Is it harder to conduct the right kind of a store today? Yes. Also, no. It is true that the exactions are growing more stringent. New problems of competition are developing, and these sorely test the retailer's courage and staying powers.

But it is also true that these very problems open correspondingly greater avenues of development. No outlook ever was so golden as the one now in front of the NEW WAY retailer.

Success is mainly a question, these days, of one's ability to line up with modern opportunities—to play the game the new way. It's a matter of being alive, knowing it and making everybody else know it.

For those who apply the methods of yesterday to the selling problem of today, the path is hard.

For those who develop with the times, attainment is no more difficult than at any previous period. It never was easy—easy in the sense of coming without earnest effort. What worth while thing is?

To be sure, the man who would lead or even be among the marchers must have EFFICIENCY for his middle name. But that need not keep you back. Efficiency is to be had if one will pay the price.

The price? It's in being wideawake, thinking, working, fighting. Having the store on a system that will show up its weaknesses and point out remedies. Refusing to be awed by figures to the extent

of letting your accounts take care of themselves. Keeping your credit above par, discounting your bills—being sure, also, to get what is coming to YOU. Recognizing that the present cost of doing business MUST COME DOWN—and forcing it down at least to a point in keeping with investment and sales. Having in stock the things people have a right to expect to see in a store like yours, knowing what the people NEED—and then telling them about it in a way that will make them WANT it. Having the courage to admit you're wrong when you're wrong and losing no time in getting right.

That is the price—the price of the efficiency that leads to attainment. What is there in it YOU can't pay?

If a man has fair ability, willingness to work and adequate capital, there is no reason why he should not attain at least a nominal success in retailing.

And when to these he adds earnest study of the lessons taught by modern merchandising experience, and zealously applies to his own business what he learns—he has more than an even chance of succeeding in the best sense.

Success means more these days, too. When a man wins, he WINS. He has something.

But if present day conditions are more lavish in their rewards for the EFFICIENT than those of yesterday, it is equally true that the INefficient have a HARDER road to travel. Better things are demanded of them than they can—or will—give. Then, in due course, failure likely will be their portion.

Did you know that failures in the United States last year caused a loss of about $203,000,000?

Why all this failure?

In general the answer would be lack of capital at the beginning. Yet, a study of the failures shows that all the reasons can be summed up in one word:

INEFFICIENCY!

Facts and figures demonstrate that the INDIVIDUAL HIMSELF was in most cases the main source of the crash.

Of the total number of failures, Bradstreets figure 80.3 per cent were caused by the PERSONAL SHORTCOMINGS of those who failed. These faults are grouped as follows:

Incompetence, irrespective of other causes.

Inexperience, without other incompetence.

Lack of capital.

Unwise granting of credits.

Speculation outside of regular business.

Neglect of business caused by doubtful habits.

Personal extravagance.

Fraudulent disposition of property.

"This year," says a Bradstreet report, "stands distinguished from some other years, in that the excess of failures over other years is credited to the increased amount of harm wrought by incompetence and inexperience—two essentially personal faults. For the first time since the records were compiled in 1890, the percentage ascribed to incompetence stands first in injuriousness with 30.2 per cent of all failures, as against 29.7 per cent attributed to lack of capital, hitherto the most fruitful source of trouble, but which fell from 31.4 in 1911 and 33.9 in 1910. INCOMPETENCE, on the other hand, moved up from 27 per cent in 1911 and 26.6 per cent in 1910 to the figure of 30.2 per cent quoted above."

Nothing in that about the "times being wrong." No word about the "merchant having no chance." Just incompetence—inefficiency.

If more merchants would really KNOW the ins and outs of what they are trying to do, there would be fewer failures—less talk about lack of opportunity.

In England and on the continent they have fewer failures than we do in this country. Why? It is because merchants over the seas KNOW THEIR STORES. It is because in those countries business enterprises are seldom started without a fair degree of ability or preparation. In the older countries, a business may be handed down from father to son, and thus stay in the family for generations. Solid principles, tempered by the changes time and progress bring, guide it all along the way. So it stands. It has something to stand on.

It is a sad mistake for men to rush into business blindly without giving enough thought to the future and the problems it surely will bring. It is a sadder mistake to disregard these problems as they arise, depending on a mere "hunch" that things must be all right, because they look that way. Analyze things before you start.

Or, if you have already started, analyze them NOW.

Pay day always comes. The longer it is held off, the more exacting are its demands. If more merchants would recognize this, and prepare for it, there would be more fortunes made in merchandising. There would be a better understanding of stores. There would be a more dependable prosperity. Things like politics, presidential elections, the tariff and wars would lose much of their power to cause business upheavals.

Every store is going to grow. Or it is going to die. It can't stand still and live. The age is too fast for that. And the very act of infusing new life into his store, lining up with the present day methods of doing things, preparing it for the further changes that are to come—these can change the retailer from a mere storekeeper into a merchant.

To insure success, a merchant should build his business on the right foundations and keep in closest touch with it ever after.

If YOU do not know YOUR business so well you can say it backward, you had better introduce yourself at once, and rush the acquaintance to an intimate association as soon as possible.

Many a retail business is going wrong while its owner thinks it is going right. Not until the sheriff takes charge can he be persuaded that things need a radical change.

Money may be coming in steadily. The store's high place in the community may seem sure. A general air of thriving prosperity may apparently rule over all. Yet that store may be just on the point of smashing on the rocks.

Of course you have heard the story of the grocer who specialized in canned goods. A certain brand was popular and he pushed it by intelligent advertising. His trade in canned goods reached surprising proportions for a town of that size.

Then he went broke.

When the expert accountants got to piecing together the shattered fragments of what once was a promising business they discovered the merchant actually had been losing one cent on each and every can he had sold. He had failed to figure carefully enough when computing the various prices he should charge. He did not allow a large enough figure for his cost of doing business.

True, he missed it only by a penny. But that penny broke him.

This merchant's experience shows that you cannot trifle with figures. There are just one hundred pennies in a dollar. No amount of clever argument, no showing of apparent prosperity, no rush of people to buy your goods can change this incontrovertible fact. If the dollars you take in contain only ninety-nine cents you will, if this keeps up, go broke just as surely as one hundred times one equals one hundred.

Know your store. Apply to everything the test of figures, and believe what the figures prove to you. Admit—at least to yourself—that conditions are as they show you.

This is just as important to the merchant who really is gaining as to the one who is losing. If you are making a profit you want to know it. It is not enough to **guess** you are, or **hope** you are. There may come a time in your experience when to save your head you will have to do more than be satisfied in your own mind that your business is solvent. You may have to prove it to the satisfaction of your banker or your creditor. No amount of apparent prosperity will avail you then. You will have to place all your cards on the table. You will have to answer questions by means of figures. And figures cannot lie. They are not built that way.

It is a real tragedy when an honest, able, industrious merchant is bluffed into bankruptcy by the bogey of figures.

Such was the case of John Anderson.

John Anderson started a general store, putting into it $4,000, plenty of energy and enthusiasm, and a fair degree of ability. He prospered, although he didn't, to use one of his own expressions, "take much stock in bookkeeping."

When he bought a bill of goods from his jobber, he stuck the invoice on a spindle with others. The paid invoices he kept loose in a drawer. In a week or two he would "remember" the bill and pay it in time to get his discount. Anderson was good pay. A number of credit men can tell you that.

When Anderson sold goods without getting the cash, the customer was duly and properly charged. When the bill was paid, all or in part (if it was) credit would be entered. Anderson didn't bother about keeping a ledger account with each customer. Instead, all the transactions were entered in a "store book," of which the customer kept a duplicate. Don't you remember the old "store

book" you had to take to the store along with the coal oil can when you were a boy?

Twelve months rolled by. Anderson figured his customers owed him about $2,000. He thought at least $1,800 of this was "good." But he made no systematic effort to collect. He didn't want to "lose" any good customers.

"These farmers have money, but if I should ask them to pay they'd quit me," he said.

At the end of each year Anderson would take inventory. He would make a valuation of the goods he had in his store. He would add the bills he had paid during the year (if none of them had got lost) and count in with this total the amount of his operating expenses. Then he would add his stock valuation, the amount of money he had taken in his accounts receivable. From this he would subtract the amount he had paid out for stock and operation.

The result would be unsatisfactory. The figures would not "jibe" at all with what Anderson really knew was the case. He had expected to make a certain amount during the year, and had a pretty good idea that he had made it, but the figures didn't show it.

Oh, well; what was the use of worrying? Wasn't he paying his bills promptly? Wasn't his trade growing? It must be growing, for the store seemed to get busier all the time. And wasn't he making a good living?

Of course, it would be better if the figures would come out right, Anderson would think. He would scratch his head in perplexity a few moments, then shove the figures into a pigeon hole, sigh with relief as they disappeared from view, and buckle down for another year's work.

This went on for several years, and Anderson had grown to be quite a mature merchant, he thought.

One summer things got "tight." The coal mines in his town were shut down for weeks by a strike. The miners were good spenders when they had money, and so they had nothing to spend now. It didn't rain often enough, and the farmers saw a barren year ahead.

Anderson found he could sell as much merchandise as ever, but couldn't get the money for it. For the first time in his store experience he found himself unable to discount his bills.

In his extremity he turned to his bank. Certainly, the banker would be glad to accommodate Mr. Anderson. His credit was good and the chances for better times in the fall were favorable. He got some money, gave his note, and the stringency was thus relieved, temporarily. He borrowed from his bank a second time, then a third. Still the expected rift in the clouds did not appear.

Then the banker, realizing the necessity of keeping close to shore himself, suggested that Anderson liquidate some of his indebtedness. Anderson couldn't, just then. Very well; the bank would renew. Would Anderson please give a statement of his business, showing in detail just how he stood? The bank had not required this before as he was a customer perfectly well and favorably known to them. But of course he understood that now, etc., etc.

Then Anderson got the shock of his business life.

He couldn't give a satisfactory statement.

Of course he couldn't, for he himself did not know just how the business stood.

The bank then insisted upon a settlement within a given time. Anderson saw his credit toppling. He got scared, threw his store on the market and sold it. The price he received was little more than enough to pay his bills. He had sacrificed his work of several years, had thrown away his good prospects—all because he had said, "Oh, well; what's the difference?" when the figures would not come out right.

And all this while the store was in fair shape. The new owner made a success of it.

Here is what Anderson should have done:

He should, in short, have known his store.

And he failed because he didn't know it.

Know your store!

CHAPTER II.

Profits and How to Figure Them

RULE I.

To find the percentage on sales it has cost you to do business:

Divide your gross expenses by your gross sales for the year.

RULE II.

To find the correct selling price to gain a certain desired net profit:

Add together the percentage of the cost of doing business and the desired percentage of net profit. Deduct this from 100. Divide the result into the cost price.

RULE III.

To find the number of times your capital has turned:

From your gross sales for the year subtract your gross profit. Into this divide the average amount of stock you have been carrying through the year.

EVERY merchant is in business for the profit he can get out of it. He will work for profit. He will even suffer for profit. And yet there is no other part of the average retail business in which so much guesswork is indulged.

In many a store the conditions are right for getting a satisfactory profit. But it is not gained because of errors which result in wrong prices being charged for the goods—when it would be just as easy to get the right prices.

It has happened an almost unbelievably large number of times that merchants with everything in their favor have gone broke because their figuring or lack of figuring prevented them from getting enough profit.

A merchant may strive with all the energy of his being to make a gain during the year. And then he may not know whether he has

succeeded or not. Or he may think he has forged ahead, but a good part of the profits may be imaginary. They may figure out well enough on paper. But where is the money?

Many merchants merely guess when it comes to pricing their goods. Experience and knowledge of merchandise have shown them that a thing may be worth such and such a price. This price they charge. It may be just about right. But the difference, even though it may be slight, is likely in the aggregate of the year's business to grow into a serious difficulty.

Then others get into trouble through inadvertently mixing the methods of figuring their profits.

They may decide to figure their profits on the selling price—which, of course, is the only satisfactory way. And then they go right ahead and add a percentage of the selling price to the COST price and think they are making a profit. They may be. And they may not be. But in either event the returns are not as figured.

Still another mistake which can result seriously is an erroneous figuring of turnover. Some merchants try to persuade themselves that by dividing the amount of their investment into their gross sales for the year they get the number of times their capital has turned. Through this method of reasoning a man may think he has turned his capital seven times when he may have turned it only four or five. It is, of course, not at all to be wondered at under these circumstances that his supposed profits are of the will-o'-the-wisp variety.

Failure to make proper provision for the cost of doing business when it comes to figuring profit is another costly error.

At the beginning of this chapter on profits we gave three important rules. If you base your profit-figuring on these you will not go wrong.

These three rules, in our estimation, will protect the average retailer from the pitfalls that may be in his path when he merely guesses the proper price to charge for his goods.

Let us consider the subject in some detail and see what we can find out.

A Table Showing Prices at Which You Must Sell an Article Costing $1.00 In Order to Make Any Desired Net Profit.

Cost of Doing Business																						
15%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.19	1.21	1.22	1.24	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.54	1.67	1.82	2.00	2.22	2.86
16%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.21	1.22	1.24	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.56	1.70	1.85	2.04	2.27	2.94
17%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.22	1.24	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.59	1.72	1.89	2.08	2.33	3.03
18%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.24	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.61	1.75	1.92	2.13	2.38	3.13
19%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.25	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.64	1.79	1.96	2.17	2.44	3.23
20%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.27	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.67	1.82	2.00	2.22	2.50	3.33
21%	*Net Profit .....*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.28	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.56	1.70	1.85	2.04	2.27	2.94	3.45
22%	*Net Profit .....*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.30	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.56	1.59	1.72	1.89	2.08	2.33	3.03	3.57
23%	*Net Profit.... .*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.32	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.56	1.59	1.61	1.75	1.92	2.13	2.38	3.13	3.70
24%	*Net Profit.... .*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.33	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.56	1.59	1.61	1.64	1.79	1.96	2.17	2.44	3.23	3.85
25%	*Net Profit......*	1%	2%	3%	4%	5%	6%	7%	8%	9%	10%	11%	12%	13%	14%	15%	20%	25%	30%	35%	40%	50%
	Sell for....	1.35	1.37	1.39	1.41	1.43	1.45	1.47	1.49	1.52	1.54	1.56	1.59	1.61	1.64	1.67	1.82	2.00	2.22	2.50	3.33	4.00

These figures are computed on a basis of SALES.

[See Explanation in Foot Note on Opposite Page.]

In determining the selling price of an article, three points must be considered if a correct profit is to be gained.

First: The cost of the article plus the freight and drayage.

Second: The cost of doing business, or the overhead expense.

Third: The profit itself.

No merchant need be in the dark regarding the first of these essentials. You, of course, know what is the invoice cost of your merchandise. But DON'T FORGET TO FIGURE IN THE FREIGHT. Freight is a part of the cost of your goods, as we are showing in detail in another chapter. Figure it in without fail.

And be sure to keep account of every dollar you pay out—for any purpose whatsoever.

Do you want to know what percentage on sales it has cost you to do business?

Here is the way to find out:

Carefully foot up the sum of all your expenses for the year and prove it by your books. Then divide this figure by the total of your sales. In other words, divide your gross expenses by your gross sales for the year and the result will give you the percentage on sales that it costs you to conduct your business.

For example, your sales for the year amount in round numbers to $30,000. Your expenses for the same time are $5,870.

Computing decimally, $30,000 divided into $5,870 gives about 19½ per cent. Your percentage of expenses, then, during the year is 19½ per cent on sales.

It is important that you know the percentages on sales that it costs you to conduct your store. Guess work is perilous. A difference of a few points either way may mean success or failure.

This is so because you have to know how much it costs you to

EXPLANATION OF PROFIT TABLE ON OPPOSITE PAGE.

These figures show the correct selling prices to charge in order to gain any desired net profit on an article costing ONE DOLLAR, including freight. It will be easy to compute from it, selling prices on things costing more or less than a dollar.

EXAMPLE: You, of course, know how much it costs you to conduct your business. The bold figures at the left indicate various costs of doing business. Start with the figure that represents your cost and follow the column across to the right until you come to your desired net profit. Immediately under this figure will be the correct selling price. Your cost of doing business is, say, 20 per cent and you desire a net profit of 12 per cent. Start on the 20 per cent column and follow it to the right until you come to 12 per cent. Under this is $1.47 or the correct selling price.

If the article cost 50 cents, half of $1.47 would be the correct selling price. If it cost $1.75, the selling price would be one and three-fourths times $1.47; if it cost $2.00, the selling price would be twice $1.47 and so on.

sell a thing before you can know how much you must get for it in order to provide a sufficient profit.

As you figure this through you will be more than ever impressed at the closeness of the relation between expense and gross profit.

In computing your selling expense there are three principal items to be considered. These are rent, salaries and advertising.

Many other items of course appear on your books, but in general it may be said that these three cover the whole proposition. To rent, for instance, can be charged such items as light and heat. Under salaries should be listed your salary, those of your employes and all money you pay out for help of any description. Advertising expense means money paid out for printers' ink and for price advertising purposes.

The proportionate size of each of these divisions in the entire store expense varies with stores and localities. In some towns salaries are higher. In others rent is the big thing to be considered. If you are well located, as is told in another part of this book, your advertising expense can be lower. It would be pure guess work, therefore, to attempt to specify what percentage each of these expense divisions should be accorded.

In variety stores the usual run of expense is about 16 to 20 per cent on sales. Some fairly successful variety stores report that they run as high as 22 per cent on sales.

The average run of expense in general stores is, of course, lower. A successful general store we know of that does a business of $100,000 a year operates on 16 per cent on sales. Other smaller ones report their expense figures as low as 10 or 12 per cent on sales.

But whatever the expense is, it is supremely important for ALL OF IT to be included in the selling price. Otherwise you are not going to be within a satisfactory net profit figure.

Having gained an accurate line on your operating expense you now come to the third step in the process—that of FIGURING THE PROFITS.

Before you begin, get this in mind.

NEVER, NEVER FIGURE YOUR PERCENTAGE OF PROFIT ON COST.

Burn this rule into your brain some way, so you never will forget it. It will save you loss. It will save you worry. It will help you increase your net returns.

Remember always that your PROFIT comes out of your SELLING PRICE—and NOT out of the cost.

You buy a thing for a dollar and place it in your stock. You buy it so you can gain a profit. Where are you going to gain this profit—out of the dollar or out of the article itself?

It is perfectly obvious that you will gain no profit at all from this item until you sell it.

Then you sell it, say for $1.50. You pay for it and have 50 cents left. This 50 cents is part of the $1.50 you GET for the thing—not a part of the dollar you PAID for it.

The fifty cents represents your GROSS profit—your gross profit on the SALE.

And since it is the SALE that pays the profit it is obvious that the sale is the logical basis upon which to figure the profit.

Many a merchant goes wrong on the question of figuring his profits not through any error in his percentage computations, but because he does not realize that A CERTAIN PERCENTAGE ADDED TO THE COST OF THE GOODS IS NOT AS MUCH AS THE SAME PERCENTAGE OF THE SELLING PRICE AFTER THAT PERCENTAGE IS ADDED. He figures his selling expense on COST, and his profit percentage on SALES. It is impossible to get the right profit then.

Let's illustrate.

Add 10 per cent to a dollar. This gives you $1.10. Deduct 10 per cent from $1.10 and do you have the original dollar left? You do not. You have just 99c. Figure it and see.

Now, suppose we consider a transaction in which the profits are figured both right and wrong—bearing in mind the principle just stated.

You purchase 100 articles at a cost of $1.00 each, including freight. Your cost of doing business is 20 per cent. Your desired net profit is 12 per cent. If you follow the example of many other merchants, you add 32 per cent to the cost price and make your selling price $1.32.

You decide to do some price advertising to draw people into your store. Your leader is to be this article of which you have 100 to sell at $1.32 each. You figure that as you are making 12 per

cent net on these articles you can very safely cut 10 per cent off and still be making 2 per cent net.

You sell your 100 articles therefore at $1.22 each, and figure that you have made a net profit of $2.00 on the transaction.

But HAVE you? Get a pencil and paper and let's figure the thing through.

Your original selling price was $1.32. Your cost of doing business is 20 per cent. Twenty per cent of $1.32 (you must figure it this way because it is out of the $1.32 that you are getting your profit) is 26 cents. Add 26 cents to the cost price and you get $1.26. Figuring the cost of doing business, therefore, it actually cost you $1.26 to get each item and sell it. And you sold it for $1.22.

So you actually LOST 4 cents on each article instead of making 2 cents, as you thought. You LOST $4.00 on the whole transaction instead of MAKING $2.00.

Now, when you were selling these things at $1.32 you were making a profit—although not as much as you thought you were. You were making 6 cents on each item, whereas you THOUGHT you were making 12 cents. This was not so bad. Possibly you might have gotten along fairly well on this basis. But when you cut the price, trouble came.

Trouble came for this reason:

Thirty-two per cent of the COST of the goods (or 32 per cent of $1.00) is not as much as 32 per cent of the SELLING PRICE.

Here is how the same principle works out, when figured on the basis of a whole year's business:

Suppose you sell during the year goods that cost you $30,000. Your cost of doing business is 18 per cent on sales. Your desired net profit, say, is 10 per cent. The sum of these (28 per cent) you add to $30,000, thus making the selling price of your stock $38,400. You have paid $30,000 for your stock and you have sold it for $38,400—taking into account your selling expenses.

How much net profit have you made?

Many merchants will say you have made $3,840—or 10 per cent on your gross business.

But you haven't. You haven't because 28 per cent of the cost is not the same as 28 per cent of the selling price.

Now, let's see what you actually WOULD make on this basis.

You pay $30,000 for some merchandise and sell it for $38,400. Your cost of doing business is 18 per cent ON SALES. Eighteen per cent ON SALES in this case is $6,912.

The cost of buying the goods and selling them, therefore, is $36,912. You sell them for $38,400, thus gaining $1,488 as your net profit, or about 3¾ per cent on sales—not 10 per cent.

This shows the difference between figuring profits right and wrong—and incidentally gives a little lesson on the value of keeping expenses down.

If your selling expense in this case is 16 per cent on sales instead of 18 per cent, your net profits on a gross business of $38,400 would be $2,256, or nearly 6 per cent—quite a difference.

Now, considering you are convinced as to the value of figuring profits on sales, and the danger of figuring them on cost, we come to the actual arithmetical process of figuring profits.

How shall this be done?

A certain manufacturer sent out broadcast to retailers of every class an invitation to solve this problem:

A certain article costs $1.00 wholesale, including freight. What will it have to be sold for to bring a net profit of 12 per cent after allowing 18 per cent for the cost of doing business?

About 1000 retailers sent in solutions. And 750 out of the 1000 got it wrong.

In the 750 were many high grade retailers. It is almost unbelievable that they could not get the right answer. But their own figures proved they couldn't—or at least that they didn't.

Some put $1.12 as the figure to be charged in order to get 12 per cent net profit. This, of course, took no cognizance of the cost of doing business.

Others put the selling price as high as $1.60. Many gave the selling price as $1.30 or $1.32. They insisted on this notwithstanding that at the bottom of the question was a note saying the proper answer was not $1.30.

To gain a net profit of 12 per cent on an article that costs $1.00 including freight—if the selling expense is 18 per cent—the article must be sold for $1.43.

How do we get this figure?

Here is the rule:

To find the correct selling price of an item, add together the cost of doing business and the desired net profit. Deduct this from 100. Divide the result into the cost price.

Let us see how this principle figures out with the example just given.

Let 100 per cent equal the selling price.

Your cost of doing business is 18 per cent, and your desired net profit 12 per cent—making a gross profit of 30 per cent that must be realized on the article before you can get the desired 12 per cent net.

Now, we have 100 per cent as the selling price in percentage, but must also have the BUYING price in percentage, or we can't figure the thing correctly.

It is easy to see that the buying price in percentage is obtained by subtracting the gross profit from the selling price. In this case it must be 100 per cent minus 30 per cent, or 70 per cent.

The buying price in PERCENTAGE, then, is 70 per cent, and the buying price in MONEY is $1.00.

One dollar, in other words, is 70 per cent of what must be charged to realize the desired net profit of 12 per cent.

What, then, is the selling price IN MONEY that must be charged to realize this 12 per cent net profit?

If $1.00 is 70 per cent of this selling price, 100 per cent (or the whole selling price) would be $1.00 divided by 70—making $1.43.

Tabulated, the process is this:

Selling price		100%
Cost of doing business	18%	
Desired net profit	12%	
Selling cost and profit	30%	30%
Wholesale cost		70%

Wholesale cost is 100 cents, or 70 per cent of the selling price. Divide 100 cents by 70, and you get $1.43, or the selling price in cash.

This is all there is to it—merely a simple, workable problem in arithmetic.

Just get the right figures to figure with, and the actual work of figuring is simplicity itself.

The main thing is to remember that as your PROFIT IS TO COME OUT OF THE SELLING PRICE and NOT out of the cost price, the profits should be figured exclusively on the basis of the SELLING PRICE and NOT the cost price.

How are you going to determine the proper net profit figure to use in making this computation?

Must you guess at it? Or is there some scientific way of determining such a figure?

If you are running an exclusive variety store or a dry goods store you may safely aim at a gross profit of around 30 per cent on sales. General stores run lower—depending on the quantity of groceries in stock. If you are running an exclusive grocery, your gross profit may run around 18 or 19 per cent on sales. If you are running a shoe store you likely will average about 25 per cent on sales. A hardware store's gross profit usually is around 28 or 30 per cent on sales. Furniture stores and drug stores, generally speaking, show up right around the 30 per cent mark.

It is interesting here to note the result of an investigation made recently by the National Retail Dry Goods Association. From 50 dry goods and general stores in towns large and small the association obtained figures showing that the range of gross profit was from 27.33 per cent to 35.1 per cent. This made an average gross profit of 30.46 per cent.

In an effort to arrive at a fair gross profit figure for various classes of merchandise a group of experts recently made up the table which appears on the next page. These figures were obtained by taking the average, after studying the gross profit proposition in stores of many kinds. They are not to be taken as law and gospel, and are not presented here as a standard which anybody necessarily must follow. Difference of opinion as to the correctness of the figures naturally will exist. It is a difficult thing to set up any certain standard for pricing for all the merchants to follow. Conditions differ. But as a foundation upon which to base your gross profit computations you may find the table useful.

The figures, showing the average gross profit on the SELLING PRICE, follow:

Aluminum specialties	30%
Automobile sundries	33⅓%
Art goods and needlework	27%
Books	25%
Clocks and watches	29%
Clothing and hats	29%
Carpets, mattings and rugs	27%
Cutlery	33⅓%
China, glassware and crockery	33%
Candy	36%
Dry goods in general	30%
Drug sundries	30%
Enameled ware	30%
Furs	34%
Furniture	33%
Groceries	19% to 20%
Household hardware	28%
House furnishings	26%
Harness	30%
Jewelry	35%
Lamps and lighting goods	30%
Men's furnishings	26%
Notions	32%
Pictures	39%
Suits (Women's)	32%
Shoes	25%
Sewing machines	24%
Stationery	33⅓%
Sporting goods	30%
Toys	33%
Tools	30%
Tinware	30%
Woodenware	30%

The method of figuring profits with GROSS profit as a base is substantially the same as with NET profit as a base. Gross profit is the cost of doing business plus the desired net profit. It is the same, therefore, as the part of the net profit table on a preceding page designated "selling cost and profit."

Take the same example of a thing that cost $1.00, upon which you desire to gain a gross profit of 30 per cent. Merely deduct 30 per cent from 100. This leaves you 70 per cent as the wholesale cost of the article. This figure is just 70 per cent of what you have to sell the article for in order to gain the desired gross profit of 30 per cent. Divide 100 cents by 70 per cent and you get $1.43, or the selling price in cash.

This is exactly the process you use when you figure on a desired net profit of 12 per cent and count your cost of doing business at 18 per cent. The sum of these two percentages, or 30 per cent, represents your gross profit in this transaction.

Figure the thing either from a net profit or gross profit standpoint—whichever is most convenient for you. Always be sure, however, to allow a LARGE ENOUGH figure for the cost of doing business.

And, while FIGURING profits correctly, be sure also that you—

GET a profit!

It necessarily is the case, owing to price advertising and other considerations, that you are bound to sell certain items very close to cost—some possibly below cost. If, therefore, you do not take advantage of every legitimate opportunity to GET A PROFIT, your average is likely to disappoint you.

A satisfactory AVERAGE net profit is what you are after. You can't expect to gain an adequate net profit on EVERY item you sell. One thing may pay you a net profit of 2 per cent on sales. On another you may get a net profit of 20 per cent on sales. The average of the two would be just about right.

This very necessityy of LOOKING OUT FOR THE AVERAGE is what obliges you to figure your profits correctly.

Just because you are shooting at a mark of 8 or 10 per cent net does not mean that you should go through your stock and arbitrarily price EVERYTHING to bring this figure. You can't do it and sell the goods. Price each individual item on the basis of WHAT IT IS WORTH, always bearing in mind an adequate percentage for your selling cost.

Each item should, if possible, be made to carry its full share of the selling cost, even though it may pay little or no actual profit.

You may say you are selling a thing at actual cost. Is the expense of doing business considered in this figure? If not, you are selling the thing not at cost, but at a LOSS.

A merchant who had difficulty at the end of a year in tracing the profits his books told him he had made, had been selling bread as a price advertising item. He sold a large quantity of bread at 4 cents a loaf—just what he paid the baker.

He told himself he was not losing anything on this bread and that he could well afford to sell it at 4 cents a loaf in order to get the superior price advertising that was his through the reduced price.

He forgot all about the cost of doing business—which, in his case, was 20 per cent on sales.

Accordingly, he lost just 20 per cent of 4 cents on every loaf of bread he sold. And he thought he was getting price advertising without any expense. It was not much of a loss, but it was a loss.

Just such leaks as this will make the ship sink if you give them time.

How many such leaks are there now at work in your store?

Wouldn't you rather stop them now than wait until the end of the year or until the leakage in your profits at last brings you face to face with the fact that something is wrong?

How shall you guard against such leakage?

First: By rigidly applying to every item in your stock the test of correct profit-figuring.

Second: By never failing to consider the cost of doing business when fixing the price on any item.

Perhaps it might have been good business for the merchant to sell his loaves of bread at 4 cents, even though he were losing 20 per cent on each loaf. But the peril to him rested in the fact that HE DIDN'T KNOW HE WAS LOSING.

It is vastly different to lose for a purpose and know why and how much you are losing than to be losing and THINKING you are gaining or at least coming out even.

MAKE YOUR SELLING COST A PART OF ABSOLUTELY EVERY PRICE FIGURING TRANSACTION.

As soon as you have your selling cost provided for, your net profit goes up rapidly. And, of course, you have no objection to that. If you aim at 12 per cent net and make 15 per cent net you are not going to weep.

Watch your profits! And remember that a satisfactory AVERAGE net profit is what you are after.

It costs you a certain amount to run your store—to sell your goods. The more you can sell without increasing this figure the higher your net profit figures will be. The just-a-little-more profit —the kind that comes after the overhead expense has been provided for—is the kind that makes merchants rich.

This is the pure cream profit that every live merchant so ardently desires and so strenuously fights for.

And then, in figuring your profits and getting them, do not forget the inestimable benefits of COMPOUND PROFIT—the profit of the turn on the turn on the turn.

This brings us to the subject of TURNOVER.

In turnover rests the whole problem of business success.

Enough capital is, as we say elsewhere in this book, an essential of success in retailing. But capital without turnover would mean a loss rather than a profit.

It costs more to handle goods that sell but once a year than it does those that turn from twice to half a dozen or more times a year.

A dollar invested ten times in a year brings more net profit than $10 invested once.

One dozen each of six items will sell six times as many as six dozen of one item. This means six profits instead of one.

The more VOLUME OF SALES you can make without increasing your investment, your expense or your room—the more times you can turn your capital—the greater your net profit will be.

Volume of sales does not necessarily mean a satisfactory gross profit. Adequate turnover DOES mean satisfactory net profits.

Also the amount of your net profits for any one year is determined by the turnover.

What, then, IS turnover?

A man started business with a stock of $4,000, and his gross sales during the year amounted to $28,000. How many times did he turn his capital?

Some would say seven times. They would reach this figure by dividing the stock at COST into the total sales at RETAIL.

This is wrong.

If you bought a thing for a dollar and sold it for $1.50, would you say you had turned that item 1½ times?

You can't compute the number of turns by dividing your INVENTORY figures into your gross sales for the reason that these represent two different things. Your inventory represents what the goods COST you. Your gross sale figures represent what you GET for the goods.

What is the proper method of calculating turnover?

Here is the rule:

From your gross sales for the year subtract your gross profit. Into this divide the average amount of stock you have been carrying through the year.

The gross sales for the year in the case above stated amounted to $28,000. Suppose this man's average gross profit was 30 per cent. Thirty per cent of $28,000 is $8,400. This leaves $19,600 as the approximate COST of the stock sold during the year for $28,000.

His average investment is $4,000.

How many times, then, did the stock turn?

As many times as $4,000 goes into $19,600, which is about five times.

There is bound to be more or less inaccuracy in figuring the turn for the store as a whole. In the case we have just considered the figures would indicate quite a satisfactory condition and a reasonably healthy number of turns. (This was a variety store.) Yet, it doubtless is true that the stock had lines in it that turned only one or two times or perhaps not at all.

The only way to keep an adequate check on the number of turns of individual items in your stock is to divide the stock into departments and to keep a separate sales record for each. We are telling about this in another chapter.

As a matter of fact, if a person would insist on calling the transaction by its proper name, few stores could show up anything like an adequate number of turns on stock.

The five turns spoken of in the above example probably would mean, if careful inquiry were made, that it was the investment that made the five turns and not the stock. Indeed, it is probable the entire stock did not turn at all, although some parts of it may have turned ten or even twenty times.

THE PORTION OF THE STOCK THAT DOES NOT TURN IS WHAT EATS UP THE PROFITS. The cleaner you can keep your stock, the less dead stock you have, the higher your net profits will be. This is considered at length in the chapter of this book devoted to buying.

How many times a year should your stock turn—on a fair average?

This depends on what kind of a store you operate and how good a merchant you are.

If you are running a variety store, all the way from four to eight turns a year may be looked for. If you run below four turns you had better look sharp. Less than four is not enough for a variety store. In this case you had better begin hunting around for what is wrong. Some live variety stores report turning their stock ten or even as high as twelve times in a year. These higher figures are exceptional but they can be reached. When you see a variety merchant who turns his stock ten or twelve times a year you see one who invariably buys in many orders merchandise in quantities that

can be quickly handled. On the other hand, the man with the slow turning stock is likely to be a friend of quantity buying.

Other classes of stores can turn their capital two, three, four or five times a year.

It is too obvious to need any argument that the merchant who has the cleanest stock and who insists on keeping everything on the move will turn his capital more times than his slower competitors.

We repeat: THE MORE TURNS YOU MAKE, THE HIGHER YOUR NET PROFITS WILL BE.

But don't fail to compute the turns correctly.

Be sure to take out the average gross profit before you divide.

There is nothing to be gained by imagining you are turning your capital seven times when you are only turning it four or five.

More than one merchant has been absolutely insolvent—even while honestly believing he was prosperous. His figures showed him he was turning his capital often enough to make a satisfactory net profit. But his figures were wrong.

It is said figures cannot lie.

They can't.

But you have got to put the right figures together or you can't get the right results.

In figuring your profits you must, as we have said, always take into account an adequate amount for your cost of doing business.

Upon your ability to keep this cost down to a reasonable limit depends much of your net profits.

It becomes your duty, therefore, to see that your selling cost is kept low enough so that your net profit can be kept high enough.

This does not mean the wild, reckless cutting and slashing in which some merchants indulge once in a while. It means a careful, cool reckoning of the situation—taking into consideration the general well-being of the business—and then placing the cost of doing business where it belongs.

The matter of expense—or the cost of doing business—is made the "goat" in many stores when things go wrong. If a merchant finds at the end of a year or any other period that he has not made as much money as he expected, his first thought is that his expense must be too high. He doesn't know it. But he thinks it—guesses

at it. Then ensues a spasm of economy which is detrimental to the store's selling and profit-getting efficiency. Maybe the expense account IS too high. But it shouldn't be slashed at just to pay the penalty of somebody's frenzied and irritable guesswork.

When the profits do not show up, something is wrong. It is up to you to find out what that something is. But don't turn your guns on expense, until you know what you are doing. Perhaps you are not figuring your profits correctly. In fact, the chances are about fifty-fifty that the latter is the case.

When the captain of a vessel finds his boat is leaking somewhere he does not discharge a good part of his crew. He does not instruct the engineer to put less coal under the boilers. He does not demoralize his establishment by wild, topsy-turvy, hit and miss hunting for that leak. He quietly, methodically, systematically goes after the leak. He FINDS it. He stops it up.

If your selling expense is too high—and the chances are it is—cut it down to where it belongs. But to every cut apply the principles of common sense system. Cut for a purpose — not because you are scared, not because you are peeved, not because you don't know what is going on in your store.

What we started out to say is that unquestionably the COST OF SELLING GOODS MUST COME DOWN.

It must be admitted that too many frills have crept into business. It is totally unnecessary to say that we believe most thoroughly in classy, well kept stores. We believe in proper display. We believe in presentable fixtures. We believe in adequate store service. So does everybody else who has at heart the best interests of the retailer.

But at the same time it will have to be conceded that many a store overdoes things in these respects.

Take the matter of fixtures. Of course it is a matter of pride to any merchant to have beautiful fixtures in his store. But this matter should be decided not as a matter of pride but on the cold hard basis of whether such fixtures will bring in enough additional business to make them worth while. Less expensive woodwork probably will answer equally well and the store expense be correspondingly lightened. Too much money also can be spent for show cases. Why spend more money when you can do just as well on less?

Or you may insist on having costly computing scales and cash

registers when less expensive ones would do the work in a 100 per cent efficient manner—and save you money besides.

Perhaps your wrapping paper costs you more than you need to pay.

Your signs may be altogether too expensive.

Then there are the petty exactions of customers by which many a merchant has been whipped into line. Through the exigencies of competition, particularly in the larger communities, merchants have allowed themselves to be imposed upon in the matter of store service so that the exactions of their customers have become almost a mortgage on the merchants' very souls.

Mrs. Jones calls up at eight o'clock in the morning and asks for a cake of yeast. At ten o'clock she remembers she must have some flour. At 11:59 she orders some things in a hurry for lunch. At the end of the day the grocer may have made five or six deliveries to Mrs. Jones and have sold her about enough groceries to have made one delivery.

Where is his net profit in this case?

Either he doesn't get it, or Mrs. Jones pays a fancy price.

Fortunately, unreasonable customers of this type are not in the majority. But they are numerous enough to cause a serious strain.

When a retailer offers unsystematic and practically boundless delivery service to his customers he is doing both himself and his customers an injury.

When a department store delivers a spool of thread to a customer several miles away from the store, a debt is created that somebody has to pay.

The profit on that spool of thread may be a cent. Figures show that it costs about ten cents to make the delivery. Thus the store loses nine cents on the deal.

What is going to happen?

Somebody must pay for the delivery of this spool of thread. This means the store must charge higher prices wherever it can. Then comes agitation against the high cost of living—an agitation, by the way, that is undeniably well founded.

Unreasonably high operating expense causes two undesirable conditions in the store:

First: It tends to keep the net profit down.

Second: It spreads dissatisfaction among the customers, on account of the necessary exaction of higher prices.

We repeat, therefore—

THE COST OF DOING BUSINESS MUST COME DOWN.

Careful investigations made by well known authorities show that this cost is constantly increasing. In the last ten years at least 3 per cent on sales has been added to the average cost of selling goods.

This can't go on. Or, something will snap. Neither merchants nor consumers can stand the pressure.

We believe, however, that the turn of the road has been reached, and that store expense soon is going to be computed on a safer, saner basis.

This is going to be brought about not through any harmful reduction in store service—not through any unseemly cheapening in the store's equipment. It is going to be accomplished through CUTTING OUT THE FRILLS, and through the proper systematizing of all the expenses of the store.

Are there too many frills in your store?

And do you lack system in your store service?

A department store manager in a good sized city was plagued by the delivery evil until he was driven in self defense to systematize his delivery plan. He notified his customers that beginning on a specified date a certain number of deliveries each day would be made and no more. He informed them at what hour their orders must be in his store to get out on any certain delivery. He told them that under this plan he could serve his customers equally well and take off several wagons. The saving in this respect, he said, would enable him to reduce the cost on some of his goods.

There was some opposition from careless or selfish people who like to impose on a retailer.

But he pushed the deal through. And he made good on it.

Best of all the saving in delivery expense—without detracting in the least from the efficiency of his store service—so impressed him that he discovered various other weak spots in his store operating plan.

The result was that at the end of the year he found his operating expense had been reduced nearly 4 per cent on sales. This means something.

Systematized delivery and a systematized store service are every bit as practical and workable in the small town as in the large.

The only difference is that in the small town it might be advisable to obtain the co-operation of all or most of the merchants before putting into effect any radical change.

This can be done. Every merchant wants to make more money.

Suppose you start something in your town.

Help the cause of merchants generally by working to reduce the high cost of selling.

The high cost of selling MUST come down.

CHAPTER III.

Store Accounting

DO you know how much money you have?

And how much you owe?

Do you know how much stock you have in your store?

And how much you have sold?

Do you know how much it costs you to conduct your business—fixed charges, emergency expenses and all that sort of thing?

Do you know how much you lost last year in bad credits? About how much you may expect to lose this year?

How much do you pay for freight and drayage?

How do you fix your profits—by guesswork or by figures? And if by figures, do you compute on cost or on sales?

What is the condition of affairs in your store, anyway? Are you making any money? If so, how much? And how do you know?

Today's sales—what do they mean to you? On what things have you lost? And on what things have you gained? And what and how much is the net net of the day's business—profit or loss?

How about your stock? What lines are paying you and what lines are not? Are you devoting too much space and too much capital to this line, or this, or this? And should you make a bigger showing and press harder on that line, or that, or that?

What does your banker think of you? And the credit managers of the wholesale houses from which you buy? Can you show them what they want to know? When you make a statement does it mean anything? When you want to make a loan can you prove to your banker that your business is solid enough to warrant him in assuming the risk? You may think or even know that your business is solvent and a going enterprise, but can you PROVE it to the banker or the credit man?

In short, is your business founded and conducted on a guess-work basis or on cold, hard figures—the figures that always insist on telling the truth, the whole truth and nothing but the truth?

Now, you may step down from the witness stand, Mr. Merchant, and we shall undertake to give you a little friendly discourse on the value and necessity of keeping books—keeping the kind of books that will enable you to tell any year, any month, any day or almost any hour where you stand.

A certain retailer had the best patronized store in a town of 5,000 people. He was popular. His goods were dependable. His clerks were courteous. His service was prompt.

All this made his store about the busiest place in town. Each day apparently was better than the one preceding—more goods going out and more money coming in.

The merchant "just knew" he was making a satisfactory profit. And then one day he began to think. It is a good thing for a merchant to think. Thinking gives him a better head. And a better head is a more certain guide to better profits. Well, this merchant thought and thought. Then, he tied up some of his account books in a bundle and went home for the afternoon where he could do more thinking. He thought and figured, and figured and thought far into the night.

What was he up to?

He was hunting for the profits which he "just knew" he was making!

He couldn't find them.

He could find plenty of records of money taken in and money paid out. His books showed every indication of a healthy, successful business—a business that should bring in satisfactory profits.

BUT WHERE WERE THE PROFITS?

Next morning before banking hours—he couldn't wait until 9 o'clock—he entered the bank at the side door and had a heart to heart talk with his friend the cashier.

"Bring in your books and I'll have John look them over," said the banker.

John looked over the books. And he found where the profits were going.

THE MERCHANT HAD BEEN FIGURING HIS PERCENTAGE OF GAIN ON A WRONG BASIS. And for several years this is how the profits had been literally shoveled out of the window.

The trouble soon was remedied. A real system of bookkeeping was installed in the store. Thereafter the profits not only were gained, but could be found. The better system radiated its influence through all branches of the business, making it more profitable than ever before.

But this merchant actually sacrificed many thousands of dollars to his antiquated system of keeping his accounts.

Fortunate it was for him that he got to thinking about it soon enough. Otherwise, his splendid business would in time have been wrecked.

Anyway, he was not making a fair profit. And what's the use of devoting time, energy and talent to a business that does not pay?

Your chief concern is your net profit. Either you are making a profit or you are not. And unless you know exactly what gain you are making from day to day, you are working blindly. Perhaps you are doing exceedingly well. But unless you know it, you are not able to get the benefits to which your prosperity entitles you. At least once a month you should determine with substantial accuracy how much you have added to—or subtracted from—your net worth. This can be accomplished only by the use of a real system of bookkeeping.

Of course, every man operating a store knows he has to keep books. But not every man realizes his bookkeeping is not reliable —that it does not tell him the whole truth about his business.

The right kind of books properly kept enable a man to find out any time if anything is wrong—and to apply corrective measures before it is too late.

The owner of a modest sized store sold one year $22,000 of merchandise. When he took his inventory on January 1st he discovered that his net worth was $3,000 less than the year before. All through the year this man had been headed toward the rocks. But his inventory was absolutely his first hint that he had not been conducting a prosperous business.

One of our accounting experts who analyzed his affairs found his expenses amounted to 33 per cent on sales. Of course, nobody needed to tell this man that 33 per cent on sales for cost of doing

business was far and away higher than most stores can stand. He knew that as well as anybody. But he didn't know it was costing him that much.

His was a case of presuming without knowing.

He said, in discussing his troubles, that his gross profit averaged 65 per cent over the cost price. He hadn't the slightest doubt that this figure was enabling him to gain a generous margin. It developed, however, that the 65 per cent DID NOT ALLOW FOR FREIGHT, which on account of the far western location of his store averaged around 22 per cent on the cost of his goods. This brought his gross profit down to 43 per cent on cost, but only 30 per cent on sales. His expenses were 33 per cent, or 3 per cent more than his gross profits. So it is easy to see where his net worth went.

This man is a fighter. He is struggling hard to recover. We hope he can, and will do anything possible to help. But a merchant is operating under a considerable handicap when he has suffered such a big push down hill.

His difficulty was caused by not knowing his cost of doing business. He would have known this had he kept the right kind of books.

Every really successful retail business has a bookkeeping system that tells the proprietor immediately of any change in the percentage of profit over sales.

Such a system can reveal the exact cost of doing business. Then by taking his total sales the merchant can know just how much he must add to the cost of his merchandise to make a satisfactory profit. Guesswork will be eliminated. He can know definitely what is his net profit on a certain item or a certain day's sales. If the profit shown on either is unsatisfactory he can at once take the necessary corrective measures to avoid continued loss. Such a system also will eliminate all worry and speculation as to whether his business is prospering. He will KNOW.

If there is any leak, any dishonesty or carelessness it can be traced and remedied.

How shall you proceed in rightly systematizing your store? What kind of books shall you keep? And how shall you keep them?

We are presenting here three systems of accounting. These are based on what we have learned in the conduct of our own business and our many years of study of the businesses of others.

Take the system that seems best to fit your needs and adopt it. You will find it practical. It will tell you the truth. It will enable you to KNOW rather than guess about your business.

After you get started right you should have no difficulty in keeping right. These systems have been studied out with the view of combining simplicity and utility. You will find no more time is necessary in keeping books the right way than the wrong way. It is advisable to take counsel with your banker in this. He will be glad to loan one of his bookkeepers to assist you in getting started and later to examine your books to see that everything is handled correctly.

Then you will be making a success out of your business and knowing it. Or you will be losing and knowing it. A man cannot afford to fool himself in business. He has got to know whether he is winning or not. And properly kept books will tell him.

Leaks can be stopped only when you know where they are and what causes them.

You may say your present bookkeeping system is all right. Well, maybe it is. But why not look into it now and be sure? Nearly every merchant thinks he has a good system of store accounting. This very thing explains, in part, why the sheriff takes charge of so many stores.

Keep the right kind of books. And be sure you are right.

GENERAL STORE RECORD SYSTEM.

Here is a system of bookkeeping that was originally designed by our Expert Service Department for the benefit of a good sized general store doing a credit and cash business. Since then, in our study of stores and their accounting problems we have had occasion to recommend this system to various kinds of retailers. These have used it with such uniformly satisfactory results that the system has proven its worth as being capable of filling the bookkeeping needs of practically any average merchant.

The system is so planned that one using it can tell at a glance how he stands financially except for the value of his stock. And the approximate value of the stock can be determined readily, as

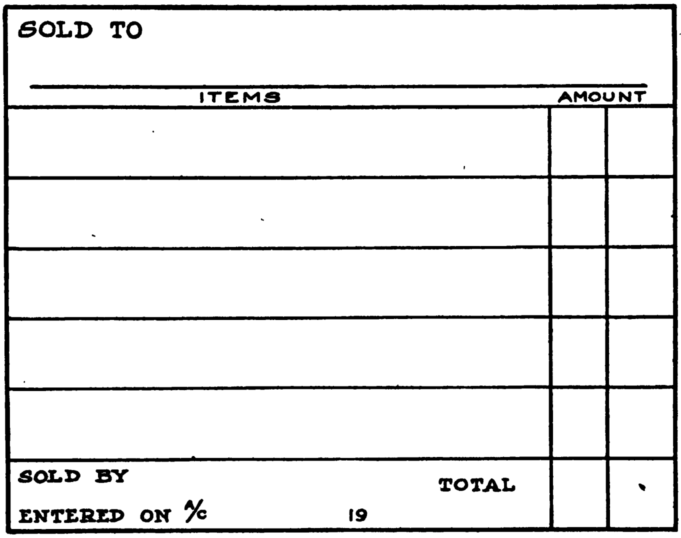
will be shown. It so indicates the condition of the business that one can make a statement at a few minutes' notice.

Keeping books in this way is not at all irksome. In fact the plan is simplicity itself—as easy as it is efficient.

It must be remembered, however, that any system of bookkeeping, no matter how efficient or how perfect, will fail in its mission if carelessness in its operation is the rule. No books will keep themselves.

Here in detail is the way to place your store on this accounting basis and keep it there.

SALES FOR CASH—Everybody in your employ who is selling goods should be provided with a duplicate sales book. These can be printed to your order. Or you can order them from our catalogue. Look on the catalogue page headed "Store Needs." You will find just what you want. Don't think your store is too small for duplicate sales slips. No store is that small. No other plan is quite so good for keeping an absolute check on the cash and the class of goods sold.


SOLD TO

ITEMS	AMOUNT	
SOLD BY TOTAL ENTERED ON A/c 19		

(Figure 1) Credit Sales Slip

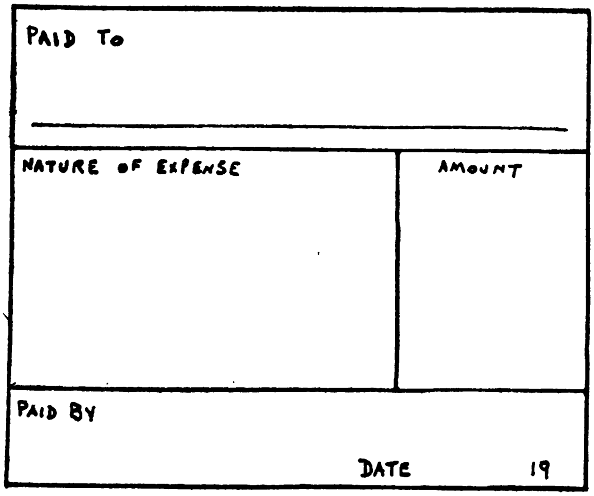
Require each clerk to fill out a slip for each cash sale, giving the customer the carbon copy and placing the original on a spindle

near the cash drawer. Each page in the book should be numbered consecutively. The clerk must account for every page so all possibility for dishonesty or carelessness will be eliminated. One of these slips also should be filled out when cash is taken in for any other reason than a cash sale and proper explanation of the transaction should be recorded.

Be sure you do not confuse cash slips with credit sale slips. It is easy for a clerk to be careless in this respect. A few slips interchanged in this way will throw the whole system out of gear.

SALES TO BE CHARGED TO CUSTOMERS—Whenever a charge sale is made, no matter how large or small it may be, fill out one of the slips illustrated by Figure 1, itemizing the goods purchased and getting the price of each. Total the prices and place the credit sales slip on a separate spindle. These slips are to be made out in duplicate. Give the customer the duplicate.

You will find it a very practical matter to get the credit sales slips printed. Your local printer can fix them out for you in pads.



(Figure 2) Expense Slip

Then you can use a loose sheet of carbon paper for producing the duplicate. Or if you want something a little more complete you can order through stationery houses books of the slips made to order.

These blanks should be 2½ inches wide by about 3 inches deep.

CASH PAID OUT—Every time you pay out for anything in cash taken from the cash drawer or register fill out a blank expense slip illustrated by Figure 2. These also should be kept on a spindle. The expense slip can be about the size of the credit slip.

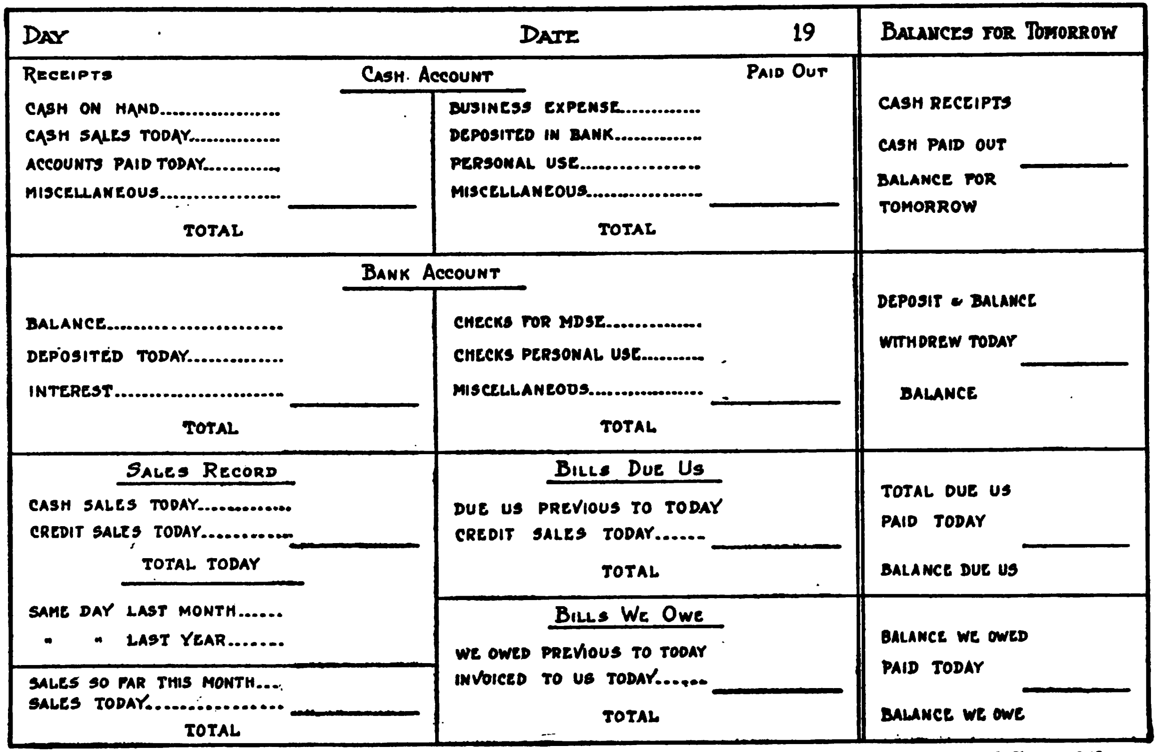
AT CLOSING TIME—Now you are about to find out just what you have done during the day. First count all the cash in the drawer. Next remove all slips from the spindles and sort them—cash sales slips in one pile, credit sales slips in another and expense slips in the third.

Next take the credit sales slips, pull out all those representing cash paid to you on account and credit your customers' accounts with such amounts. Next add up the amounts of all cash sales slips and deduct from the total the total of the expense slips. The difference should represent the cash in the drawer.

Now note the daily record card illustrated by Figure 3. This is the nucleus of the whole system. Enter the amount of actual cash sales on the daily record card under the heading Sales Record. The amount of the cash sales also should be entered under the heading Cash Account. Also enter under Cash Account the total of the slips representing amounts paid you by customers on account. Be sure also the amount deposited in the bank is listed under the heading Bank Accounting.

TO START THE SYSTEM—The first thing you will have to do in putting your store on this accounting basis is to ascertain the amount of money due you from your customers. Go through your ledger and carefully get the proper figures. This amount should be listed on the daily record card under the heading "Bills Due Us." Also foot up the amount you owe your creditors and enter them on the daily record card under the heading "Bills We Owe." Also enter on the card your bank balance as it stands that day. This done, you are started under the new deal. All other steps in the operation of this system, such as entering the total of checks paid and the total of bills received to date, explain themselves on the card. Be sure you get started right and it will be easy to keep right.

BALANCES—Balances as represented by the totals in the columns at the right hand side of the card should always be brought over to the card for the following day before you close business for the night. These cards should be kept in a metal case if possible



DAY DATE 19 | BALANCES FOR TOMORROW

RECEIPTS — CASH ACCOUNT — PAID OUT

CASH ON HAND.................
CASH SALES TODAY..............
ACCOUNTS PAID TODAY...........
MISCELLANEOUS.................
TOTAL

BUSINESS EXPENSE............
DEPOSITED IN BANK............
PERSONAL USE.................
MISCELLANEOUS................
TOTAL

CASH RECEIPTS
CASH PAID OUT
BALANCE FOR TOMORROW

BANK ACCOUNT

BALANCE........................
DEPOSITED TODAY..............
INTEREST.......................
TOTAL

CHECKS FOR MDSE..............
CHECKS PERSONAL USE..........
MISCELLANEOUS................
TOTAL

DEPOSIT & BALANCE
WITHDREW TODAY
BALANCE

SALES RECORD

CASH SALES TODAY.............
CREDIT SALES TODAY...........
TOTAL TODAY
SAME DAY LAST MONTH......
" " LAST YEAR.......
SALES SO FAR THIS MONTH....
SALES TODAY..................
TOTAL

BILLS DUE US

DUE US PREVIOUS TO TODAY
CREDIT SALES TODAY......
TOTAL

BILLS WE OWE

WE OWED PREVIOUS TO TODAY
INVOICED TO US TODAY......
TOTAL

TOTAL DUE US
PAID TODAY
BALANCE DUE US

BALANCE WE OWED
PAID TODAY
BALANCE WE OWE

(Figure 8) DAILY RECORD CARD—This is the Central Feature of the System. Actual Size of the Card is Indicated by the Drawing

for protection and safety. The illustration (Figure 3) represents the actual size of the daily record card. The cards can be indexed, if you like. Index them for months and then for days. Have in the metal case cards for a year's business. Having them indexed in this manner there will be no time lost in referring to the card for any given date. Your local printer can prepare the cards for you. They will be inexpensive as there is no involved type-setting necessary. You can index them yourself.

MERCHANDISE INVOICE RECORD—A record such as is represented by Figure 4 may or may not be used. However, it is a very useful part of the system and if you start using it you will find it so handy that you will not be willing to quit. The purpose of this is to insure your paying your bills promptly. At the same time it forms a perfect record of a bill and its disposition. Here is the way to handle the invoice record.

When you receive an invoice enter the name and amount at the

PAY	
5 DAYS AFTER TODAY	
DATE OF BILL	AMOUNT
	DEDUCTIONS
TERMS	DISCOUNT
DISCOUNT RATE	FREIGHT
	SHORTAGE
BILL MATURES	BREAKAGE
	MISCELL.
BILL NUMBER	TOTAL
GOODS RECEIVED	AMOUNT PAID
DATE PAID ________ 19	CHECK No ________

(Figure 4) Merchandise Invoice Record—Actual Size

top of the card and place it in your file. This bill should be indexed by days from one to thirty-one. File the card under a date 5 days before the bill is due for discounting. Do this after having entered on it the date of the bill, the terms, the discount date, maturity date, the bill number, and the date the goods reached you. You will note

also that the card contains spaces for freight charges, shortage, breakage and miscellaneous. Each morning go through the day's tickets so as to prepare yourself and arrange for the payment of bills at the expiration of the discount period. If you find it impossible to take the discount, place the card under a date five days before the maturity of the bill. Then, when you finally remit, enter on the card any deduction you may have made and which has been allowed you by your creditors. Also put on the date it was paid and your check number.

The benefit of this card will be seen at a glance. It is a perfect tickler and will insure the retention of your credit standing if you follow out the idea faithfully. Also it is a complete record of that particular invoice in all its various phases.

The total of all the amounts on these merchandise invoice record cards represents your entire indebtedness for merchandise. If the cards are properly made out they will give you at all times an absolutely dependable check on what you are buying.

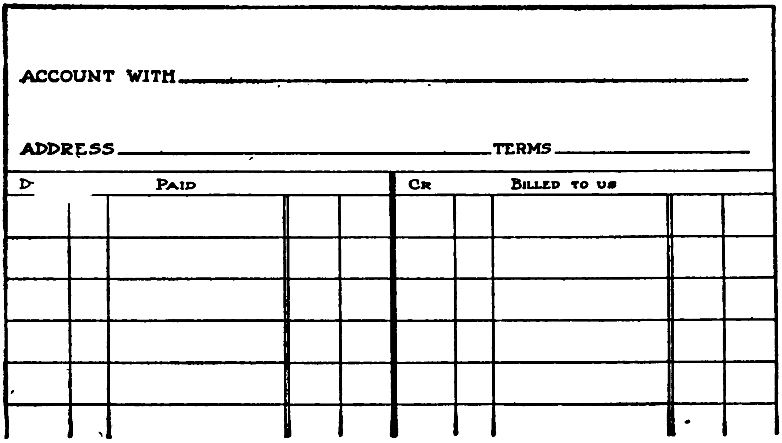
The illustration herewith (Figure 4) represents the exact size of the card. You can have these printed.

TO MAKE A STATEMENT—You are likely to be called on at any moment to make a statement of your business. Your banker may want to know. Your creditor may want to know. Or a commercial agency may call upon you for information. This system will enable you to give such a statement and give it accurately at a moment's notice. It also enables you to ascertain for your own information and instruction just how you stand at any given moment.

Of course, it is impossible to give an exact down to the very penny idea of the actual amount of your stock without an inventory. But a dependable approximate value can be very readily ascertained in this way.

First, refer to your records and find out the value of your stock at the last inventory period. To this add the amounts of the bills for all merchandise received since then. From this total deduct the amounts of your sales since inventory time, being sure, however, to subtract from this latter amount an amount equivalent to your gross profit. The difference will give you a very fair idea of the value of your stock at the time you perform this operation.

For example, a commercial agency may call upon you on March 1st for a statement. In making it up you refer to the inventory you took on December 26th and find that the value of your stock was $3,500. Since December 26th your merchandise invoice records show that you bought merchandise representing $3,500. This makes a total of $7,000 which you would have on hand if you had made no sales. But your sales for the two months, January and February, were $4,500. Suppose that your gross profit is 30 per cent. This



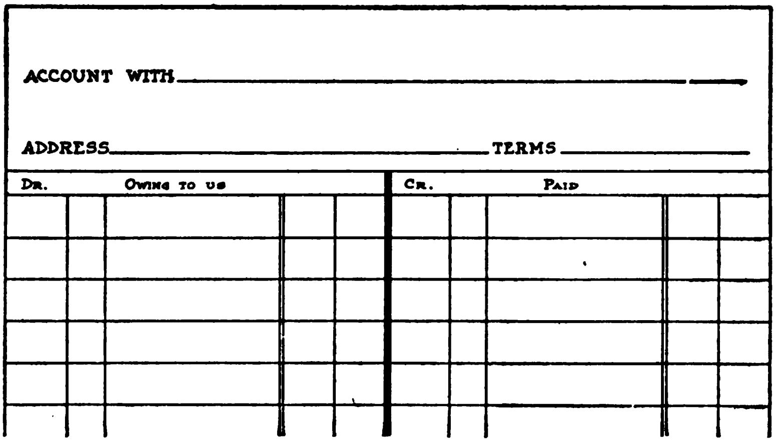
(Figure 5) Entry Sheet for Accounts with Creditors

means that the actual value of the goods you sold during January and February is $3,150. Deduct this $3,150 from the total obtained by adding the inventory value of your stock to the value of the goods purchased at its inventory time—or in other words deduct $3,150 from $7,000 and you have $3,850 as the value of your stock on March 1st.

All other information such as the amount of money in the bank, bills payable and bills receivable, can be gained by a glance at the daily record card for that date—that is if you have kept it properly as, of course, you will.

CREDITORS' LEDGER—Keep an account with your jobber. Charge him with all the money you pay him. Credit him with all goods you receive from him. Figure 5 represents a very practical ledger entry sheet for this purpose. Foot up each account as you go along. Then you will always know where you stand.

CUSTOMERS' LEDGER—Figure 6 represents a suggestion for keeping accounts with customers. It explains itself. Its value is obvious. If you want to keep customers' and creditors' accounts in a book, any ordinary ledger will answer the purpose. You can letter



(Figure 6) Entry Sheet for Accounts with Customers

in at the top of each page the wording shown in the illustration herewith. Or if you prefer the loose leaf system the same plan will hold good.

BOOKKEEPING FOR VARIETY STORE.

Variety store bookkeeping is in a class by itself. This being a cash business and the investment generally being smaller its accounting system can be simple.

But the keeping of accounts is just as essential in a variety store as in any other. Many a variety man has skidded down the decline into the waiting arms of the sheriff because he lacked an accounting system or because his accounting system did not account.

All the essential features of a variety store business can be entered and kept up to date by the use of these books:

Merchandise book.

Cash book.

Invoice book.

If a variety man wishes to keep a regular set of double entry

BOUGHT FROM	DATE	KIND OF MDSE.	AMOUNT	DISCOUNT	FRT. OR EXPRESS	NET COST	SELLING PRICE	GROSS PROFIT	% GROSS PROFIT	DUE	PAID	CLAIMS.	CLAIM ALLOWED	AMT. PAID
Butler Brothers	8/10/14	Notions	42.50	.42	.90	42.98	64.50	21.52	.50	8-30-14	8-29-14			42.08
Smith & Co	8/11/14	Dry Goods	60.00	1.10	1.75	59.93	75.00	15.05	.25	9-11-14				
Butler Brothers	8/12/14	Hdw. & Tin.	124.25	1.24	2.30	125.31	201.25	75.94	.60	9-1-14	8-30-14			123.01
Butler Brothers	8/20/14	China	72.40	.72	1.75	73.43	94.50	21.07	.29	9-10-14	9-9-14	1.65	9-8-14 1.65	70.03
Jones & Co	8/21/14	Candy	42.20	net	2.10	44.30	56.60	12.40	.29	9-20-14				42.20
Butler Brothers	8/22/14	Stationery	62.40	.62	1.90	63.68	92.70	30.30	.50	9-18-14				61.78
						409.65	582.55	172.90	.42					

Sales and Profit Sheet for Variety Accounting System.

books in connection with the above, all right. But when a comparatively modest system will do the work, why elaborate?

The system outlined here is particularly adapted to the accounting needs of the variety store. And it is simple, easily kept up to date and gives a true statement of affairs from day to day, week to week, month to month. If the entries are carefully and properly made the variety man can know at any time without burdensome figuring just where he stands.

The big central feature of this system is the MERCHANDISE BOOK. The purpose of this book is to show concisely and correctly how the purchases and profits are running.

Get a large blank book about 9 by 12 inches in size and rule it off according to the pattern illustrated here. If no satisfactory book is available, your local printer can cut from unruled stock some sheets and bind them for you in an inexpensive form. Then with pen or pencil you can rule off the divisions as shown here. Make it as fancy or as simple as you please. There are no frills about the system unless you want to put them on.

The accounts worked out on the accompanying sample page of a Merchandise Book explains how the system works. The plan is to make an entry as each invoice of merchandise is received. Let's follow through the first entry. Suppose on September 10th you received an invoice of notions from Butler Brothers amounting to $42.50. Note the entries bearing these figures. On this your discount (of course, you are one of the merchants who always take discounts) would be 42 cents. Make an entry for this under the heading "Discount." Your freight or expense would amount perhaps to 90c. Thus the net cost of this invoice would be $42.98. Counting on an average gross profit of 50 per cent on cost, you would expect to sell these notions for $64.50. Your expected gross profit on the invoice would be $21.52. Having purchased the goods on September 10th you would want to pay for them by September 30th in order to get the discount. You will note that this supposed invoice $42.98 was paid on September 29th. Thus you have a complete record of the invoice from the time you receive it until the time you pay it.

Five other invoices covering various classes of merchandise are also listed on the sheet, representing a hypothetical month's buying. You will note the columns for entering the making and collecting of claims against merchandise. At the end of the month it will

be seen that the purchases amounted to $409.65. On this amount an average selling price would be $582.55, leaving a gross profit of $172.90 or 42 per cent on cost.

Each month's business should be kept on a separate page and each month's total added to that of the preceding month. This will show at any time during the year how the purchases and profits are running.

At the end of the year these statements will show how much merchandise has been purchased, what you should have received for it, and the average gross profit. Then check these figures against your inventory and you will see just where you stand.

If, during the year, you have paid $15,000 for merchandise and out of this have sold goods costing you $12,600 you ought, if your gross profit is 30 per cent on sales, to have in stock merchandise costing you approximately $2,400. The process is shown by the following table:

Mdse. bought during year		$15,000
Year's sales	$18,000	
Less 30 per cent gro. profit (on sales)	5,400	
Net cost mdse. sold	$12,600	12,600
Net cost mdse. now on hand		$2,400

Now, take your inventory. The cost of the merchandise your inventory shows in your store should be in this case approximately $2,400. If there is too great a deviation from these figures you can make up your mind that there is a serious leakage somewhere in the store. Then you should not rest until you have found the cause of the trouble. Of course, there is bound to be more or less waste even in the best conducted stores. In the larger variety stores where buying and selling and stockkeeping all are done in the most careful manner the general plan is to allow about 3½ to 4 per cent for waste. If a figure higher than this is shown it is known at once that something needs fixing.

It may be, too, that owing to mistakes in buying, indifferent housekeeping and much damage to the goods that the actual value of the goods may be shown by the inventory to be much less than the original cost. In this event you can thank bookkeeping for pointing out to you the necessity of good store housekeeping. Or investigation may show you that somebody is stealing your goods. Or your

clerks may be careless in giving over-measure and over-weight. Many a leak both large and small can be discovered by means of this double check system—checking the inventory figures against those on paper and by the merchandise or vice versa.

Thus you see that this merchandise book is a dependable way of knowing at all times just where you stand. But don't forget the inventory!

We know of a man who used this system and thought he was making money. But he went broke. He went broke because there were so many leaks in the store due to carelessness, dishonesty on the part of his clerks and other causes. He did not take inventory for the three years he was in business. Therefore, he had nothing to check his figures against. If he had taken an inventory each year he would have found out at once something was wrong.

Another advantage of keeping track in this manner of the gross profit you may expect to gain on each invoice enables you more intelligently to utilize price advertising.

For instance, late in the month you feel the need of waking things up a little by offering some big leader values. What shall it be? You look over your merchandise sheet for the month and note the class of goods you have been buying. You see the invoice of hardware and tinware that you bought on the 12th. On this you may expect to gain a gross profit of about 60 per cent. Quite a nice margin, you think. All right, then! Let's start something with some hardware and tinware.

You note, perhaps, that on this particular invoice you have purchased some handsaws at $2.25 per dozen. Made bold by the satisfactory gross profit you expect to get from the invoice in general you decide to sell these handsaws for ten cents each. This brings down the average gross profit for that particular invoice from 60 per cent to about 52 per cent—still a satisfactory figure. In fact you have sold handsaws for ten cents each and gained some high grade advertising and at the same time have actually made a gross profit of 52 per cent on the handsaws—that is when you consider them in connection with the other items on the hardware and tinware invoice of that date. In this way the merchandise sheet can be an invaluable guide in price advertising. It can at any time give an answer to the question: "How much can I afford to lose?"

In making up this statement a good way of arriving at the sell-

ing price is to enter on your invoice the selling price of each article as you check it item by item. The total of this will give you the expected selling price for the invoice and enable you to figure your gross profit.

DATE		CASH SALES	BANK DEPOSIT	PAID SALARIES	PAID RENT	PAID FREIGHT AND DRAYAGE	CASH ON HAND	PAID LIGHT AND HEAT	SUNDRIES	BANK BALANCE
Jan	1	54.20	40.00		ck. 40.00	.90	13.30	4.60		
"	2	46.10	45.00			.25	14.15			
"	3	48.30	40.00			.00	22.45			
"	4	62.40	50.00			1.20	33.65			
"	5	50.10	45.00			.70	38.05			
"	6	142.60	100.00	55.00		.60	24.05		Stamps .50	
		403.70	320.00	cash 55.00	ck 40.00	cash 3.65	24.05	ck 4.60	cash .50	275.40

Form for Variety Store Cash Book

A variety merchant just starting in business can begin with this system by merely entering in the merchandise column the various amounts of his first invoices in the manner shown in the sample page herewith.

It is just as easy for the merchant already in business to adopt the plan. On the top line of the first merchandise sheet he should place under the heading of net cost and selling price a fair average valuation of the merchandise he has in stock at the time he starts the system. This, to be reliable, should be computed from inventory figures. The merchandise being of a general nature he will have to place under the heading "Profits" his average gross profit—40 per cent, 43 per cent, 50 per cent or whatever he is in the habit of shooting at.

Then subsequent invoices should be entered upon the sheet as shown on the sample page and the system will work out satisfactorily.

CASH BOOK—The next book is a DAILY RECORD OF THE CASH. The accompanying sample page will show you necessary headings for a variety store cash book. You should keep account of each day's cash sales, bank deposits, what you pay out, salaries, rent, light and sundries. Also it should show the cash on hand or bank balance at the end of the day. A good way is to keep one month's cash account on each sheet. This will work out very conveniently in connection with the merchandise book just described.

Then the variety man should have an invoice book. The one described on a preceding page will answer the purpose.

Elaborate on this system as much as you choose. Keep a Ledger with such accounts as are suggested by the foregoing system, or a Daily Record Card. But the system is complete in itself so far as variety store needs go.

DOUBLE ENTRY BOOKKEEPING

What is the purpose of keeping a set of books?

Primarily, to show a merchant where he stands—and to enable him to show others, should occasion require.

Here are some suggestions for a system of double entry bookkeeping that will, if worked out properly, give this information at all times. In preparing them, the least amount of work consistent with good results has been kept in mind. This has been done with a desire to make the system accord with conditions which may oblige a merchant to write up his books at odd moments or after business hours. In a larger store where several clerks and a bookkeeper are employed, the system can be elaborated to any extent required. In general, however, the following are the books of account needed:

Cash book.

Ledger.

Journal.

Customers' Charge File or Binder.

Invoice Book or File.

From these books, statements can be compiled showing the sales by days, weeks and months compared with the same period in a previous year. They will afford material for comparing expense accounts each month—also for a semi-annual and annual statement showing sales, gross and net profits, operating expenses, and the relative percentages of these.

In double entry bookkeeping, charges are made on the left or debit (Dr.) side of the account, credits (Cr.) on the right hand side. All debits and all credits must be of equal amount so the books will always balance. This means that for every debit entry there must be a credit entry of equal amount and vice versa. Every entry must bear the date of the month and the year.

Adequate information in these things is necessary for a merchant's guidance in the intelligent conduct of his business.

CASH BOOK—Here is a practical Cash Book form that keeps a close check on this important account. It can be made to order by a stationer or printer. Or an ordinary blank book (size about 9x12 inches) can be ruled as required.

The Cash Book must be written up daily and the cash in the drawer and bank verified with the Cash Book balance before beginning business each morning. Carry the footings of the cash book columns to the close of the month, when the book is ruled off and you begin anew with the next month's figures. At the end of the month, post the total of all columns on the debit side of the Cash Book, to the credit side of the respective accounts in the Ledger, and post the total of the credit columns of the Cash Book to the debit side of the respective accounts in the Ledger. The items in the Sundries Columns, both sides, are posted item by item.

CASH BOOK

Dr.														Cr.
Date	Description	Folio	Sundries	Sales	Accts Rec	Total	Date	Description	Folio	Sundries	Expense	Freight	Accts Rec	Total

Form for Cash Book

All cash paid for expense items—such as rent, wages, postage and teaming—are entered in the Expense column on the credit side of the Cash Book. All freight paid on merchandise should be entered in the freight column on the credit side of Cash Book. The Sundries columns, both debit and credit, take care of all other entries and should be posted daily, item by item. For instance, when you remit your jobber for a bill of goods, you enter his name on the credit side of the Cash Book and the amount in the Sundries column. From these figures, you post direct to the debit side of his account in the Ledger.

When the proprietor invests cash in the business, his name should be entered on the debit side of the Cash Book. Enter the amount in the Sundries column, and post it to the credit side of the proprietor's Ledger account. Should you sell any items already charged to Expense account, such as wrapping paper or postage stamps, then credit Expense account on the debit side of the Cash Book, entering the amount in the Sundries column. Post these figures direct to the credit side of Expense in the Ledger.

LEDGER—The Ledger is the most important book in the set. It should include these accounts:

Merchandise
Freight
Sales
Expense
Profit & Loss
Accounts Receivable (owed you)
Accounts Payable (you owe)
Proprietor's Account
Shippers' Accounts

To these accounts you may add fixtures, if you consider them of sufficient value to carry as an asset on the Ledger. Be careful about this, though. Fixtures are usually not worth what the owner thinks they are. Thus, they are likely to give you a false conception of your assets. (See the credit section of this book, under the heading, "What Your Creditors Should Know," for some ideas about fixtures as an asset.)

If you own a team, this may be carried in the Ledger under a Team account.

Ledger Merchandise Account should be charged with all goods bought for sale, also any freight, labor or material forming a direct part of the cost of the goods sold. As each invoice is checked and verified, credit the shipper's Ledger account and charge Merchandise account. If you should receive a credit on an invoice already entered, charge the shipper's account and credit Merchandise by a journal entry. As you have included freight when figuring the cost of goods, you should transfer the balance of Freight account to the Merchandise account when closing the books. The balance of Sales account is transferred to the credit side of Merchandise account at the closing period. When all the entries for the year have been made and the trial balance drawn off, enter your merchandise inventory in red ink on the credit side of the Merchandise account. The balance of your Merchandise account now shows the gross profits for the year just ended. Transfer this balance to the credit side of Profit and Loss account and rule off the Merchandise account, bringing down on the debit side, as of the first of the year, your inventory recently entered above on the credit side.

Ledger Sales Account is credited each day or at the end of the month, as preferred. If you post your cash sales daily, enter each amount in the Sundries column and omit the Sales column in the Cash Book. Whenever you are obliged to make a refund for goods sold, or a customer returns goods already charged or paid for, then Sales must be charged and cash credited in case of a cash refund, or Accounts Receivable credited in case of a charge account. When all the entries for the closing period have been completed, transfer the balance of the Sales account to the credit side of the Merchandise account, as already explained. This balance shows the total net sales, and from this account you are enabled to make up daily, weekly, monthly, semi-annual or annual statements of sales.

Ledger Expense Account may be kept in as many divisions as you deem desirable—such as rent, wages, teaming, light and heat, and so on. However, unless the business is fairly large, it is just as well to keep all expenses under one general heading.

In closing the books, be careful to see that you include all expense items incurred for the period just closed, taking care to apportion such items as rent paid in advance but not earned, unexpired insurance premiums, wages, and similar items. And, if you have sufficient supplies on hand which have been charged to

Expense, then credit Expense account with the inventory of these supplies at cost. By "supplies" is meant such items as wrapping paper, twine and postage stamps. If you have entered any inventory supplies on the credit side in red ink, bring down the balance of these as in the Merchandise account, and on the balance sheet enter these supplies as an asset—not as an Expense account debit. Or a better method, requiring a little more work, is to make a journal entry crediting Expense account and opening a Supplies account in the Ledger, charging the supplies to it. Then, on January 1st, reverse the journal entry, charging Expense and crediting Supplies. When the trial balance has been verified, transfer the balance of Expense account to the debit side of Profit and Loss account and rule off Expense account.

Ledger Freight Account is kept for the purpose of showing the total amount of freight paid out for any given time. At the closing period, transfer the balance of this account to your Merchandise and rule down the account.

Ledger Profit and Loss Account, as indicated above, receives the credit balance of Merchandise account and the debit balance of Expense account. It should be charged or credited with any other extraordinary profits or losses arising outside of the merchandise operations. A credit balance on this account indicates net profit. A debit balance represents net loss. Profit and Loss balances should be transferred to the Proprietor's account, on the same side in which they occur in the Profit and Loss account.

Ledger Proprietor's Account should be credited with all money or property invested in the business by him. It should be charged with all money drawn for his personal use and all goods taken out of stock for his personal use, at cost. The balance of Profit and Loss account also must be transferred to his account. The net balance will show his present worth.

Ledger Accounts Receivable (the aggregate of customers' accounts) should be charged daily or monthly with the total amount of goods sold on credit. This account also should be credited daily or monthly from the Cash Book with the total payments received from customers on charge accounts. When postings are completed, the balance of Accounts Receivable will show the exact amount due from customers, which should agree with the total of the charges as shown on the customer's charge sheets.

Ledger Shippers' Accounts (accounts payable) should show on the credit side the date and the amount of every invoice received from jobbers. An account should be opened with each jobber you deal with. On the debit side show the cash payments made on account, and also any notations showing overcharges, shortage and allowances. These shippers' accounts should be kept together at the back of the ledger so the aggregate balance can be easily drawn off. This total will show you at any time just what you owe for merchandise.

Ledger Trial Balance and Balance Sheet—Taking a Trial Balance enables you to test, at any closing period, the accuracy of your bookkeeping.

On a sheet of paper ruled as a Ledger enter the Ledger accounts and their balances. Place the debits in the left hand columns and credits at the right, including the cash balances as shown by the Cash Book. If the postings are correct, the two will balance.

After you have obtained your Trial Balance, close the various Ledger accounts into each other as explained above. And this will bring you to the Balance Sheet, which is the final process in closing a set of books and finding out exactly where one stands.

The Balance Sheet should show the assets and liabilities grouped together under their respective headings, as follows:

ASSETS
- Cash
- Merchandise (Inventory)
- Accounts Receivable (due from customers)
- Any other Assets, such as Fixtures, Team, or Notes Receivable

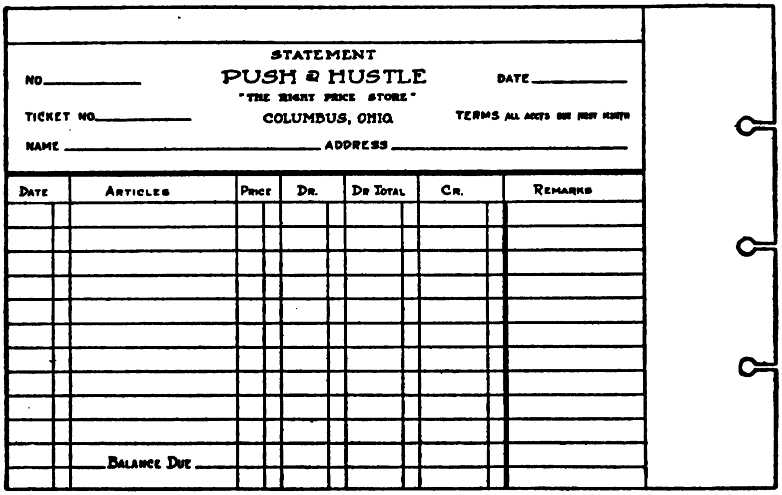
LIABILITIES
- Accounts Payable (due for merchandise)
- Notes due, if any, etc.
- The Proprietor's Account (showing indebtedness of business to him for his investment and profits—less withdrawals)
- Net Profits for the period.

The total Assets and the total Liabilities as shown in this sheet must be equal.

Ledger Profit and Loss statements should be prepared showing the relative proportion of gross and net profits to operating expenses and sales, comparative with the same period of the preceding year. In addition to this, you should keep a record showing the sales by

days, weeks and months for the previous year, so you can compare it with the present period. Draw the deadly parallel, in other words. This will cause you to exert greater efforts in pushing sales if the present showing falls behind the last one.

CUSTOMERS' CHARGE FILE OR BINDER—This is a very convenient and practical method of keeping track of customers' accounts. It is a well known fact that a considerable loss is forced upon many stores through failure properly to enter charges for goods sold. Charges may not be made at all. Then, in making up bills, errors may prevent all the items being entered. You may depend upon it that most errors made in your customers' favor will be that much loss to you—unless you discover them yourself.


STATEMENT
NO. ______ PUSH & HUSTLE DATE ______
"THE RIGHT PRICE STORE"
TICKET NO. ______ COLUMBUS, OHIO TERMS ALL ACCTS
NAME ______ ADDRESS ______

DATE	ARTICLES	PRICE	DR.	DR TOTAL	CR.	REMARKS
	BALANCE DUE					

Customers' Ledger Statement

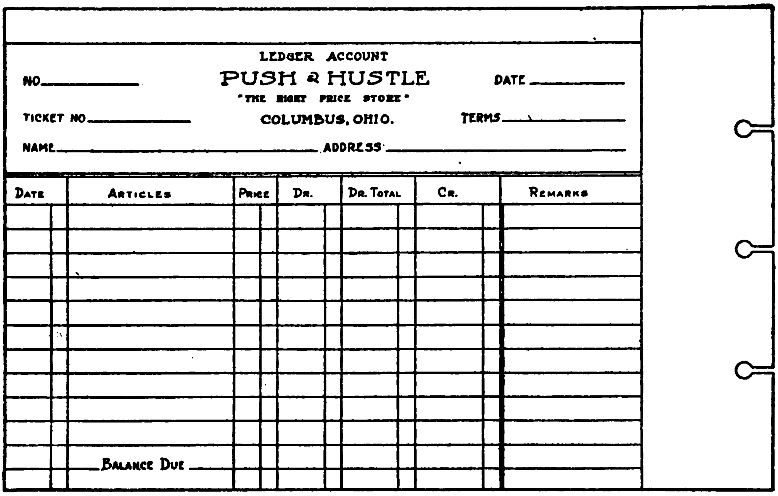
It is to reduce the likelihood of error and to save time that this charge file is recommended. It is a combined customers' Ledger account and itemized monthly statement.

The sheets should be made in duplicate and bound in pads. Both forms are illustrated here. Your printer can supply them. Each sheet must be numbered, the original and duplicate bearing the same number. If a sheet is spoiled so it cannot be used, it must not be destroyed, but must be kept in the binder with the other sheets. All sheets, including duplicates, must be accounted for, whether used

or not. These sheets may be made in triplicate if you so desire, the third copy covering the requirements of a shipping ticket.

When goods are sold on charge, use in duplicate the customary form of charge slip or ticket, which shows the customer's name, address, items bought and total. One copy of this is delivered with the goods, and the other placed on file. At the end of the day, sort these tickets by customers' names, alphabetically, and extend and foot them.

From this original ticket, enter the transaction on the duplicate form of the Customer's Charge Sheet. Verify the footings with the original charge ticket, being careful to keep the duplicate charge sheet with the original all the time while the record is being made.



LEDGER ACCOUNT
NO. ______ PUSH & HUSTLE DATE ______
"THE RIGHT PRICE STORE"
TICKET NO. ______ COLUMBUS, OHIO. TERMS ______
NAME ______ ADDRESS ______

Date	Articles	Price	Dr.	Dr. Total	Cr.	Remarks
	Balance Due					

Customers' Ledger Statement (Duplicate)

When all the tickets and all the customers' charge sheets, including duplicates, have been footed, compare both, and if you find they agree, then the sales journal is to be made up. The simplest form of this is to draw off on a sheet, suitably ruled, the amount of each customer's charge for the day, footing the total charges, and taking care to verify the amounts copied from the charge sheets, and also the footings.

After the total of the day's charge sales has been obtained, place your customers' charge sheets in a binder and post the total

of your sales journal to the debit side of Accounts Receivable in the Ledger and the credit side of Sales account in the Ledger. Or, if you prefer not to post your sales daily, then the total of each day's sales journal can be carried forward until the end of the month when the grand total of the month's sales may be posted in one item.

When a customer buys again during the month, draw both of his charge sheets from the file, add the new purchases thereto under the previous charge, extending each day's purchases separately and entering on the journal as above.

When the customer pays on account, enter the payment on the debit side of the Cash Book in the Accounts Receivable column and post the payment in the credit column of the customer's charge slip. Also, if a customer returns any merchandise or claims a credit on any items charged, charge your Sales account and credit your Accounts Receivable. This latter entry may be made on the regular journal. Or if there are enough entries to warrant, a special journal called "Customers' Credits Journal" can be used, posting the total at the close of the month to Sales and crediting Accounts Receivable.

Care must be used to record on the duplicate charge slips every transaction affecting the customer's account. At the end of the month, when both are footed and the net balance due is brought down, the total of these customer's charge slips in your binder should agree with the balance of Accounts Receivable in the Ledger.

The duplicate can be mailed as a statement to the customer on the first of each month. When paid in full, the remaining copy in the file is marked paid and then transferred to the Paid accounts file.

When all monthly entries have been made and you have transferred all customers' charge sheets stamped "paid in full," then draw off the amount of all the live sheets in your binder. The total should agree with the Accounts Receivable account in your Ledger.

If preferred, instead of this form of charge sheets, regular Ledger accounts may be kept with the customers' which will necessitate a somewhat different form of sales journal. However, with the form just described, the itemized monthly statement is prepared with very little trouble at the end of the month. The mere bringing down of the balance is all that is necessary before mailing the statement to the customer. Also—and this is important—it makes for accuracy.

JOURNAL—A simple form of journal ruling consists of a date column, and debit and credit columns. The journal takes care of all entries which do not pass through the Cash Book, Sales Journal or Customers' Credits Journal. If you carry any wasting assets such as Fixtures and Team, record the depreciation through a journal entry, charging Profit and Loss account. Then credit the asset to be depreciated, with a proper explanation forming part of your journal entry.

Journal Purchase Record—If the business is sufficiently large, a purchase record may be made with the columns ruled down showing date received, whom bought of, terms, discount, amount of the invoice, freight, department and paid column. Otherwise, all purchase entries can be made in the ordinary journal above described.

The form of entry should be as follows:

MAY 15, 1915.

DR.	Merchandise Account	$500.00	
CR.	Shipper's Account		$500.00
	Invoice of May 1, 1915.		

INVOICE BOOK OR FILE—Carefully check each invoice as received, and note on it the amount of freight paid. Then, if the invoice is not due for some time and is not to be discounted, place it in a file arranged by dates. Be sure to put invoice in such a date section that there will be no doubt of it being paid in time. When paying the invoice, note on it the date of payment, the number and amount of check covering the payment. Then file it along with the other invoices from the same shipper.

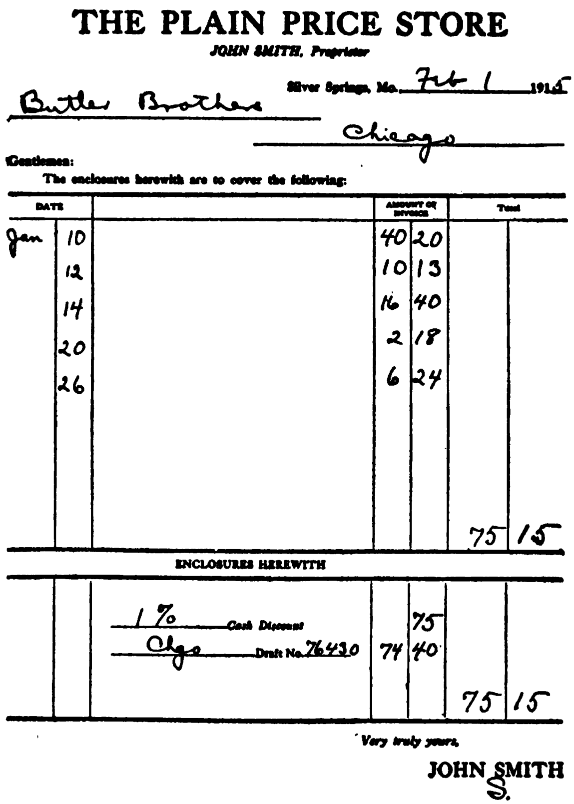
If you prefer, all paid invoices can be pasted in a regular form invoice book.

It is important that you have an accurate record of your transactions with the jobbers from whom you buy the things you sell.

Many a retailer has had his credit curtailed or withdrawn simply because of the confused state of his account with his jobber.

Nothing is quite so effective in checking invoices as the invoices themselves. Accordingly, your invoices should never leave your possession. Some merchants send back the invoices to be receipted when they pay their bills. This, under the modern system of business, is no longer necessary. A check or draft sent in turn for an invoice automatically becomes a receipt. No jobber sends a receipt

for money paid him on account unless he is specifically requested to do so. Hence, when you return the invoices with your remittance they are likely to be lost and you run the risk of losing a highly important part of your records.



THE PLAIN PRICE STORE

JOHN SMITH, Proprietor

Silver Springs, Mo. Feb 1 1915

Butler Brothers

Chicago

Gentlemen:

The enclosures herewith are to cover the following:

DATE			AMOUNT OF INVOICE		Total	
Jan	10		40	20		
	12		10	13		
	14		16	40		
	20		2	18		
	26		6	24		
					75	15

ENCLOSURES HEREWITH

		1 % Cash Discount		75		
		Chgo Draft No. 76430	74	40		
					75	15

Very truly yours,

JOHN SMITH

S.

A Business-like Way of Paying Invoices

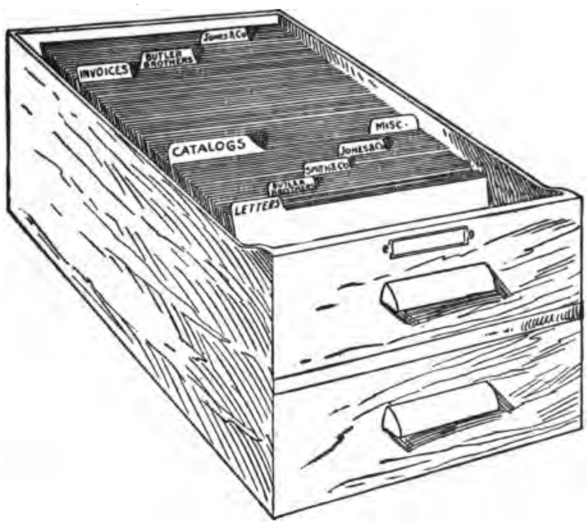
(Reduced Photograph of 8x11 Form)

Here is a good way to keep track of all your invoices and everything having to do with them:

As you receive the invoices file them on an ordinary clip. Keep a carbon copy of all orders you send in. Then when the invoice is received check this copy with the invoice to see that the price and quantity are correct. When the goods arrive, check them in from the invoice on the clip. Also pin the freight bill to the back of the particular invoice it applies to.

After the invoice is properly checked and all necessary notations are made upon it remove it from the clip and place it in a desk file under the date due, making provision for discounting. Desk files for this purpose can be purchased at a trifling expense.

When you come to pay the bill, use a duplicate remittance slip such as the one illustrated here. This will be a great convenience both to you and the jobber and will be an accurate record of the transaction. Send the jobber his remittance slip with the draft.



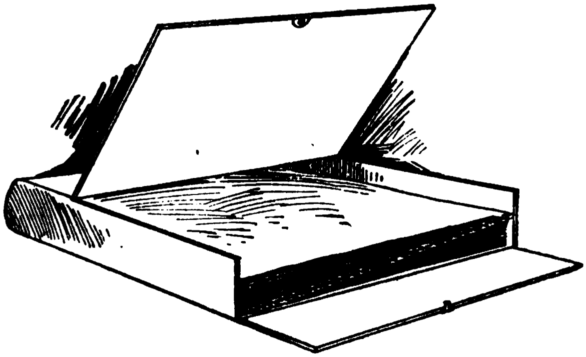
The Way to File Invoices, Catalogues and Correspondence with Jobbers

Then post the figures from the duplicate slip to your cash book, writing or stamping on the bottom of the invoice the date paid and attaching to it the duplicate slip showing its payment. A supply of these remittance slips can be prepared for you by your local printer at small expense.

Then have in your desk a 10 by 12 vertical file as shown in the accompanying illustration. Nearly any desk can be arranged with a double drawer deep enough to accommodate a 10 by 12 file. Or keep the files in a separate box if your desk is not arranged this way. At the end of each month enter in your ledger all the invoices from each firm in order of date. This makes only twelve postings a year for any one firm and makes less bookkeeping work. Then file away the invoices in this vertical file just described.

The file should contain three compartments as illustrated. One is for letters and receipts. The second is for catalogues and price lists. The third is for invoices.

By this system any paper or catalogue can be found instantly and none is open to the view of visitors. This plan is preferred by



Invoice Book

some merchants to invoice books. But if you for any reason would rather have an invoice book and keep your bills that way, you will find it practicable.

The file system just explained is convenient, however. Through using it you can have in one drawer all the catalogues, price lists, letters, memoranda and all other information and figures relating to buying.

For those who prefer a box for filing invoices the one illustrated here is recommended. They are inexpensive. You will see these and others listed in "Our Drummer."

TO SYSTEMATIZE A STORE.

Many a merchant takes pride in his ability to keep his accounts "in his head." No books for him. Why spend good, golden time in keeping books when there is so much to do about the store, so much merchandise to be bought, so many customers to be waited on?

His business may grow despite his lack of system.

Finally he reaches the point where keeping accounts "in his head" no longer answers. Then he sees that the system—or lack of system—in which he formerly took pride is cause for reproach.

No business is small enough for its figures safely to be kept in anybody's head. But suppose a man's accounts were largely kept that way—or at least kept in an imperfect way—what is he going to do when his business gets too large for that kind of bookkeeping?

How is he going to determine what departments pay and what do not?

The answer is: SYSTEMATIZE THE STORE.

And the first step in systematizing a store is to take a truthful inventory. Apportion to each department the value that is due it and add to this in their proper places such other amounts of merchandise as may be bought from time to time.

Then open a set of books, as described on the foregoing pages.

The most essential thing is to arrive at your apparent net worth at the very beginning. Get everything in its proper place.

If you have difficulty in opening your set of books on any one of the three plans heretofore described, tell your troubles to your banker. He doubtless will give you the assistance you need in getting started right.

STOCKKEEPING.

What in your stock is bringing you in your net profits?

Every stock of merchandise has in it certain items that bear most of the burden of profit-getting. Other items are fairly resultful. Others may bring no profit at all. Still others may be a positive loss.

How many items in your stock are at work?

Your merchandise is like your clerks in this respect.

You gain a profit on your clerks when they work. If anybody in your employ works only a quarter or a half of the time and you pay him for full time—you are losing. Your investment in that employe is not paying you a profit.

You invest good United States money in merchandise and bring it into your store. What for? So it may bring you a profit. But will it bring the profit as long as it remains on the shelves? Undeniably it will not. It never will yield any returns unless it works.

You cannot expect to be able to make ALL your stock work ALL the time. But you ought to count on making ALL your stock work SOME of the time—and SOME of the stock ALL the time.

How are you going to do this?

By knowing your stock.

When you know your stock, know what lines are paying and what are not, know HOW MUCH is being gained or lost on certain lines, you then can adjust things to make the store pay a profit. You can know which lines are loafing.

Also, you can do wiser buying. You will not make the costly blunder of reordering goods upon which you may be already overstocked. Your buying will be more nearly scientifically correct. Some merchants always buy too much. Others keep the amounts down to reasonable limits but buy the wrong goods. These mistakes are due to a lack of knowledge of how the goods are moving.

If an item does not earn its salt, why keep it?

It would be impossible to get up an argument on this question. Every merchant will admit that items not paying a profit should be rooted out. But then the question comes up, how shall the distinction be made?

Right here comes the value of proper stockkeeping.

We are going to outline a simple system which will enable you to know your stock. It was planned in due recognition of the fact that the average retailer has only a limited amount of time to devote to bookkeeping. If a stockkeeping system is laborious and time consuming it soon becomes a nuisance. Or it may take so much energy that there is not enough left to devote to the selling.

This is the way to start the system:

First: Take an inventory of your stock. Maybe you did inventory a few months ago. All right, inventory again. The inventory habit is a good one.

Second: After you have taken the inventory, departmentize your stock. Cut it up into six, eight or ten divisions. Let each division be known by a number or a letter.

Do not try to have too many departments. Ten should be ample for the purposes of this system in the average store.

Your dry goods can be known as department "A;" tinware and enameledware as department "B;" household hardware and woodenware as department "C;" glassware, crockery and china as department "D;" toys and fancy goods as department "E;" notions and stationery and miscellaneous as department "F;" candy, jewelry and postcards as department "G." If you handle groceries,

shoes and other lines make them a part of the scheme in appropriate letters.

This departmentizing of the stock needs, of course, only to be made on paper. But if you can divide the stock into actual physical divisions after this manner, so much the better.

CASH SALE CHECK

Dept.	Quantity	Item	Price	Total
B	2	Cups & Saucers	15	30
D	1	Boil Kettle		35
A	2	Pr Hose	35	70
C	2	lb Candy	15	30
A	3	Handkerchiefs	10	30
				1.95

Illustration A—The First Step in Stockkeeping

After departmentizing the stock as above described, here is what you will need to keep a proper record of it:

Duplicate cash and credit slips.

A form for computing each day's sales.

Another blank form for keeping a record of each day's sales by the week or by the month.

This will at once impress you—as it should—as being a very

simple equipment. It also is inexpensive—also something well worth considering.

This is how the system works:

Use the cash and credit sale check shown in illustration "A." If you care to have special checks printed, all right. But you can adapt almost any duplicate sales check which you can buy in any quantity you like. You will note this check has in its first column space for listing the department out of which every item is taken.

DAILY SALES MEMO

Date March 8, 1915

A	B	C	D	E	F	G	H	J	K
70	30	20	85	70	125	10	40	1.00	60
30	1.00	40	60	100	10	15	70	.75	70
100	115	60	75	40	15	45	60	50	25
75	70	90	85	60	60	75	25	40	10
60	90	20	1.25	80	40	15	10	60	5
45	85	45	1.40	15	20	80	15	70	40
25	5	115	70	10	20	85	5	20	20
15	40	25	20	10	35	40	10	25	20
60	60	15	10	25	40	60	10	40	60
	70	40	10	5	85	75	10	10	10
	80		15	10	15	80	10	5	5
	25			5	85	110	10	100	40
				20		125	5		20
				5		40	15		
				5			30		
				10					
Total 4.80	7.20	4.80	6.45	4.70	5.10	7.25	5.75	5.95	3.90

Illustration B—Footing up the Day's Sales

The "sale" worked out on the accompanying illustration shows department "B" credited with 30c; department "D" with 35c; department "A" with $1.00; department "C" with 30c.

Then take the blank form shown by illustration "B" and enter under each department every sale that has been made in that department during the day. This, of course, applies to credit sales

as well as cash sales. Get the data from the duplicate sales slips. It is not entirely necessary that you have special blanks for this purpose. You can just as well use a piece of common scratch paper, ruling it so as to give space to the different departments. In this way you can get the total sales for the day in each department.

This brings us to the third step of the system. Enter the total sales for each day upon a blank form such as is shown in illustration "C." You can have one of these sheets for a week's sales or a month's sales just as you see fit.

SALES RECORD

For Month Ending March 31 1915

Date	Dept. A	Dept. B	Dept. C	Dept. D	Dept. E	Dept. F	Dept. G	Dept. H	Dept. J	Dept. K	Total	Remarks
March 8	480	720	480	665	470	510	725	595	575	3.90	56.10	Rainy
March 9	680	425	600	540	385	420	460	750	680	800	$57.50	

Illustration C—Monthly Record of Sales

The value and utility of this system is apparent at a glance. Each day you know exactly how much you have sold in each department. If you want to, you can keep a continuous stock record by using the form for continuous inventory illustrated in the chapter of this book treating on inventory. Thus from day to day you will be able to know how much stock you have in any department, and how much you have sold in it for any day, any week, any month.

By keeping a record like this, any weakness in your store very soon will show itself up. If, for instance, you are carrying too heavy an investment in tinware and enameledware as compared with dry goods specialties and novelties you soon will know it. If fancy

goods and candy show up big, your figures likely will cause you to give these lines a better chance.

Under this system each department, each branch of your stock, must stand or fall on its own merits or demerits. No "weak sister" can hide its weakness by being considered in with the stronger branches. In a little while you will learn to place the most pressure where it pays the biggest returns. You will learn to have a heavier stock where a heavier stock is needed. You will ascertain that you can do just as much business in certain branches of your merchandise by having a much lighter stock. You will, in short, be able to equalize, to balance, your investment. You can do with your goods like a general does with the divisions of his army—place each branch where it belongs, and place it in such force as may be justified.

The system we have just outlined is simplicity itself. But, of course, nothing is so simple that it can be operated without work. It will take a little time to make up the record each night. Probably the working of the system will be a bit awkward at the beginning. Almost anything is awkward until you get it into good running shape—a new automobile, a new locomotive, or a new battleship. But soon you will get the thing geared up or geared down where you want it. Then you will not notice the work at all.

In fact, this stockkeeping system will save you so much time in your buying and in your storekeeping in general that you will gain good dividends out of this feature alone.

PRICE ADVERTISING.

Most of the readers of this book doubtless are acquainted—at least theoretically—with the benefits of price advertising. Its power to bring business, to break through people's disinclination to spend money, to stir up things in dull times, to bring the people into the store when you want them is becoming a familiar story.

As merchants get better acquainted with price advertising and what it can do, the more enthusiastic they become. And their faith is well founded.

But price advertising, as most other store policies, demands the most careful management. It is not a reckless, sensational, red ink slashing of prices. It is a cold, hard bid for business—a bid that is carefully figured and properly weighed.

Advertising with prices, advertising with bargains, advertising with stimulators—involves the cutting of prices. When you offer a price-advertising item to your trade it means you are selling them something, STRICTLY FOR ADVERTISING PURPOSES, AT LESS THAN COST, counting as part of cost the estimated expense of handling. It may be that one transaction will involve a smashing loss to you. Or you may be selling it at cost. Or you may be getting a certain percentage of profit. It is of the utmost necessity that a proper record be kept of all price advertising transactions so you may know where you are coming out.

Remember, unless price advertising increases your year's net profit it is a failure. And if you know at all times just where you stand you can conduct the thing so as to keep the crowds coming and not pull the gross profit too low.

Draw a sharp line between your goods sold under value for advertising purposes and all your other merchandise.

Be sure, now, to get the point: NOT ALL GOODS SOLD AT COST OR CLOSE TO COST SHOULD BE CHARGED TO PRICE ADVERTISING. Everybody has to sell some things on small margins—sell them in the everyday conduct of their business without getting any extra advertising. If you cut the price on an article because you happen to be stuck on it, that does not make it a price advertising affair. Or if, on account of competition or other causes, you sell some item regularly at a price that enables you to just about break even that is not price advertising, either.

Charge to your price advertising account only items that you deliberately cut the price on to draw people into your store.

Even at that you will make a profit on some of your price advertising sales. On others you will break even and on others you will lose.

Set yourself a certain figure to cover your net loss in price advertising. The size of this figure depends on the kind of store you are operating. Leading authorities think an average variety store can safely spend for advertising purposes about 3 per cent on sales. This 3 per cent should be divided between printers' ink and price advertising in accordance with local conditions.

WEEK ENDING JANUARY 8

QUANTITY	ITEM	COST		SELL	
12 Doz	12 qt. Enameled Rinsing Pans	$1.50	$18.00	10¢	$14.40
8 Doz	China Salads	1.10	8.80	10¢	9.60
6 Doz	Glass Bowls	.95	5.70	10¢	7.20
			32.50		31.20
	Freight		1.50		
	Expense 10%		3.25		
	Net net loss				6.05

WEEK ENDING JANUARY 15

QUANTITY	ITEM	COST		SELL	
10 Doz.	6 qt. Enameled Sauce Pans	$1.95	$19.50	10¢	$12.00
10 Doz	Salt Boxes	.95	9.50	10¢	12.00
10 Doz	3 qt deep Baking Pans	1.08	10.80	10¢	12.00
			39.80		36.00
	Freight		1.75		
	Expense 10%		3.98		
			45.53		
	Net net loss				9.53

WEEK ENDING JANUARY 22

QUANTITY	ITEM	COST		SELL	
6 Doz	Washboards	$2.35	$14.10	10¢	$7.20
12 Doz	Boxes Toilet Soap	.69	8.28	10¢	14.40
10 Doz	#9 Yellow Mix Bowls	1.20	12.00	10¢	12.00
			34.38		33.60
	Freight		1.95		
	Expense 10%		3.44		
			39.77		
	Net net loss				6.17

PRICE ADVERTISING RECORD—The Forms on These Two Facing Pages Illustrate Method of Keeping all Details of this Important Account

WEEK ENDING JANUARY 29

QUANTITY	ITEM	COST		SELL	
12 Doz	4 Qt Enameled Pudding Pans	$.98	$11.76	10¢	$14.40
10 Doz.	3 Qt. Deep Baking Pans	1.08	10.80	10¢	12.00
8 Doz.	Pure Linen Damask Towels	1.65	13.20	10¢	9.60
			35.76		36.00
	Freight		1.75		
	Expense 10%		3.57		
			41.08		
	Net net loss				5.08

WEEK ENDING FEBRUARY 5

QUANTITY	ITEM	COST		SELL	
8 Doz.	Polished Steel Frying Pans #11	$1.50	$12.00	10¢	$9.60
12 Doz.	Large Turkish Towels	.95	11.40	10¢	14.40
10 Doz	Enameled Wash Basins	.45	4.50	5¢	6.00
			27.90		30.00
	Freight		1.25		
	Expense 10%		2.79		
			31.94		
	Net net loss				1.94

WEEK ENDING FEBRUARY 12

QUANTITY	ITEM	COST		SELL	
8 Doz	15 inch Wooden Bowls	$1.95	$15.60	10¢	$9.60
8 Doz	Sleeve Boards	.90	7.20	10¢	9.60
8 Doz	2 Qt. Glass Jugs	1.30	10.40	10¢	9.60
			33.20		28.80
	Freight		1.65		
	Expense 10%		3.32		
			38.17		
	Net net loss				9.37
	Total loss for 6 weeks.				38.14

PRICE ADVERTISING RECORD—Here are Six Model Accounts showing Six Weeks Transactions in Getting Business with Prices

If you are on the main business street where the people pass every day you can depend more on your price advertising bargains displayed in your window to draw the people in.

In this event the bulk of your advertising can be of the price variety. If, on the other hand, your location is not so good or if you are in a smaller community where the people are not likely to see your windows regularly, you should depend more on printers' ink advertising.

But price advertising has a place, or should have a place, in every store no matter whether the bulk of the publicity work is gained through windows or through printed matter. Every piece of printed matter should advertise some special bargain. This is designed to have an effect in drawing people into the store as has the same article displayed in the window.

In the case of a general store, dry goods, grocery, hardware or drug store the proportion of price advertising and printers' ink advertising should be decided by the location, amount of money expended for advertising and local conditions in general. The amount of money this class of stores generally spends on advertising ranges from 1½ to 2 per cent on sales.

To keep close account of your price advertising and to maintain a careful check on it so that the net loss will be well within your advertising apportionment is not at all difficult.

We are showing here a method of keeping a price advertising account. Get an inexpensive book and rule it off according to the illustration. Then keep your price advertising record in it week by week.

The figures and items in this account are merely suggestions. These will vary to conform with your individual needs and inclinations.

You will note that on one sale noted in this record the net net loss is only $1.94. On another it is $9.53. Thus the two extremes are balanced and the average loss for the six weeks is well within bounds.

Always charge freight and cartage as part of the cost in your price advertising account. If you don't you will not be keeping an accurate check on what you are doing.

Also charge your average cost of doing business against the items you sell at cost or less than cost. Do not, however, charge the

cost of doing business against the price advertising items you make a profit out of. To differentiate between these two classes and to know exactly when to charge the cost of doing business and when not to would involve some complicated bookkeeping. Therefore, it is suggested that a horizontal charge of 10 per cent for cost of doing business be made against all classes of price advertising items. This will average fair over a term of months.

The loss on price advertising items as shown by these statements represents the actual net loss after paying freight and making allowance for expense of doing business.

This net loss should be charged in your books to advertising expense. Some merchants think it should go in the profit and loss account. Not so. What you lose on price advertising actually represents money that you have spent for advertising—spent to get the people into your store. Figuring thus it should be charged to expense and to nothing else.

A year's record of price advertising activities can be the most interesting feature of your store accounts. A record you keep this year will be an invaluable guide for you next year. It will help you solve at many a rough turn in the road the problem of how to bring in business when business apparently does not want to come.

CHAPTER IV.

Taking Inventory

A CERTAIN SYNDICATE has a blanket insurance policy covering all its stores.

One of its Michigan stores burned just three days after the annual inventory was taken. A copy of the inventory was in the store's safe and thus escaped the fire.

The insurance adjusters decided the stock apparently was a total loss.

The inventory sheet was brought out and placed before the adjusters. They were informed it represented the value of the stock three days before.

So businesslike was the inventory and so convincing were the figures that the adjusters accepted the inventory value of the stock less the estimated amount of the sales for the three days. A check soon was written out and the loss adjusted.

The whole transaction took just about as long as it did to set these words in type.

A real inventory is something worth having in time of trouble.

A Nevada merchant with a stock of about $5,000 burned out one night. What was left of the stock amounted to less than nothing.

The merchant's friends condoled with him.

"Never mind, boys," he said, "I got the thing insured for its whole value. I won't lose much."

The adjuster came promptly. He was cordial and apparently was ready to do the right thing. But he had to be shown. Insurance adjusters have a little habit of that kind.

"Where is your last inventory?" he asked.

There wasn't any.

The merchant was foresighted enough to take out plenty of insurance, but he was too "busy" to take inventory.

He was sure he should have $5,000 in insurance money, as his store was a total loss. The adjuster was not so sure, and said he would look into it.

He kept looking into it so long that the store was closed for practically a month while the adjustment was taking place. The merchant lost that much time and that much business in addition to what he lost in the fire.

Rather an expensive matter for him.

An inventory, put down in a businesslike way, would have brought about a settlement within a couple of days at the most.

"John," said an eastern merchant to his head clerk one day, "why don't you buy me out?"

"How much do you want?" asked John.

"About ten thousand dollars, I guess," was the reply.

The clerk thought that was a little high. To settle the point they inventoried the stock.

The merchant was amazed and the clerk was almost heartbroken to find that there actually was in stock approximately $15,000 worth of merchandise—salable merchandise.

If that store had burned down the night before, the merchant would have been well satisfied had he received $10,000 from the insurance company.

He had more than he thought he had. And only an accidental conversation was the cause of revealing it to him.

John didn't buy the store. But the net result of the little episode was that a thorough inventory was taken thereafter twice a year.

In another store the head clerk was a thief. He helped himself to his employer's goods without charging himself for them. He gave his friends double measure and charged them half price.

There was no record of these goods being removed from the stock. The clerk had his employer's confidence. And so the thing went on for months.

At the end of the year inventory was taken. The merchant was particular about his inventory. He insisted on everything be-

ing listed at the right valuation and upon the exact truth being known on that important document—that is, the exact truth as he saw it.

But it was not the kind of an inventory that could uncover crookedness. It was not checked against the sales or the purchases. A stock record did not in any way enter into the inventory transaction. So Mr. Thieving Clerk was not caught—even at inventory time.

A few months later this merchant got into difficulties. He needed some extra accommodation from his banker. The banker, with the merchant's consent, put one of his expert bookkeepers at work checking up things in that store. The man of figures saw that the system—or rather lack of system—was full of leaks. He persuaded the retailer to adopt a real method of bookkeeping—a method that would include a proper check against the inventory.

Then Mr. Crooked Clerk WAS caught.

A "leak" of many hundreds of dollars was traced to him.

It would have been traced months before had the inventory been of the right kind.

The purpose of an inventory is not to supply you with a rough guess as to the value of your business. Properly taken and backed up by the right kind of bookkeeping it should give you the EXACT value of your business. This is the only kind of inventory worth taking.

Retailers are divided into four general classes as regards inventory. The first division consists of men who utilize an inventory for what it is worth—who learn from it the exact status of their business. It is to these merchants that the sheriff tips his hat.

The second class believe in an inventory and think they take it honestly. But because they do not check the inventory against the sales or purchases, it does not accomplish for them what they think it does. Their inventory is only guess work.

The third class is composed of merchants who believe in taking inventory, but are not honest with themselves when they do take it. They place fictitious values on their goods. They fool themselves—or try to. They lie to themselves. Foolish men!

The fourth class includes merchants who take inventory not at all. These are not conversant enough with business to realize an inventory's value.

If you are in class 2, 3 or 4 be sure to read this recital of how a promising merchant lost out, because he knew too much to take an inventory:

This fellow started with a fair amount of capital, unlimited resources in the way of friends and well wishers, and with boundless health, energy, industry and enthusiasm. He apparently was making a whirlwind success from the very start.

And then he got too wise. Perhaps, to use a homely expression, his hat got too small for his head.

"How are you making it, George?" asked the retailer's uncle one day along the latter part of the year.

"Fine," was the reply.

"When are you going to inventory?" asked the old gentleman.

"Never!" was the surprising assertion.

And he really meant it.

He based his unusual position upon the assertion that his system of store accounting was absolutely watertight. Perhaps it was watertight, but events showed it was not fool proof. He claimed that with his check on incoming and outgoing stock he could tell almost to a penny's worth at any given time how much merchandise he had in his store.

He went on this way for three years, showing every evidence of prosperity and yet ignoring the claims of the inventory.

The time came, as it comes to all men, to give an account. He was obliged, on account of some temporary setback, to ask one of his leading creditors for an extension.

The canny credit man in questioning the debtor as to the amount of his assets and liabilities, finally gained from him the admission that he had not taken inventory in three years.

Up went the red light—the danger signal. Credit men are firm friends of the inventory.

The merchant was forced to lay all his cards on the table and it was found he was absolutely insolvent. He was worth three thousand dollars less than he honestly believed he was worth.

When this store's affairs were sifted it was found there was just about enough stock to pay the creditors 50 cents on the dollar.

And all this time the man really believed he was one of the most prosperous merchants on the street. So did everybody else—until the showdown came.

Be ready for the showdown. It may come upon you unawares, like a thief in the night. Take inventory and tell yourself the truth when you take it.

What folly it is for a man to lie to himself! We know many a merchant who is the soul of honor in most respects. He would tell you the truth no matter what the penalty might be to himself. Yet, in casting up his affairs, he tries to deceive himself. Of all the people in the world he himself is the only man he lies to. Maybe that is culpable lieing. Maybe it isn't. But it surely is foolish and costly lieing.

Everybody, merchant or no, should get into intimate communion with himself once in a while. He should place himself, figuratively speaking, under a microscope. He should search all the minute defects in his character—all his weak points.

Then he can know where to apply the remedy to make himself a real man.

Suppose a man is yellow and nobody knows it. Suppose he lies, steals, cheats. Yet, as these traits are hidden, everybody thinks him all right. But some day he is going to get found out—if he keeps it up.

If he admits to himself these defects in his character—takes inventory of himself—then he can adjust things. But if he tells himself that he is a fine fellow—when he knows just the opposite—he will go on and on until somebody else will do the inventorying for him. Then real trouble may come.

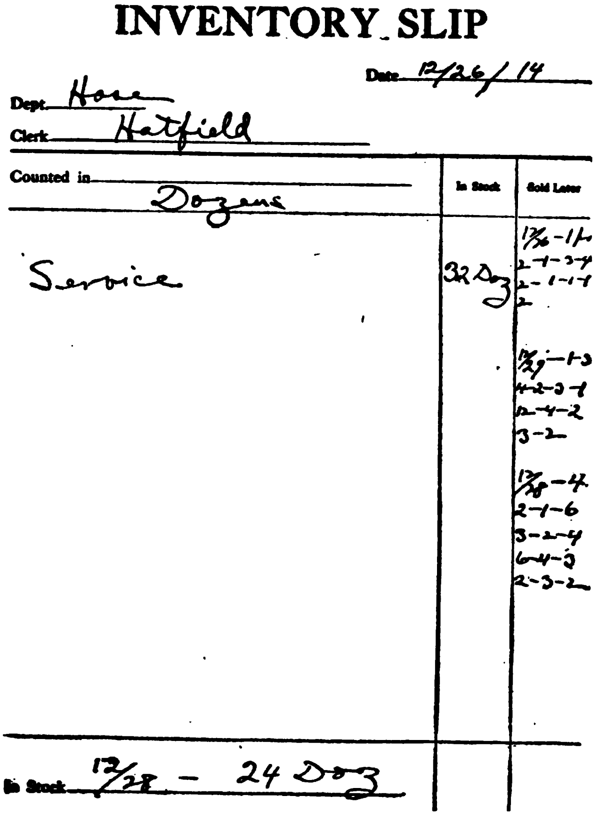
It is exactly the same way with a store. Tell yourself the truth, Mr. Merchant. Make your inventory mean something.

HOW TO TAKE INVENTORY.

The purpose of an inventory is to give you a definite line on how you stand. Hence, it is necessary that you arrive at the proper cost and valuation of each and every article in your store.

Call it stock taking, if you prefer that name.

A thing that prevents many merchants from taking the right kind of inventory is the necessity of spending much time in counting the stock. If the store could be closed long enough to have a proper appraisement made, there would be little chance of errors creeping in.


INVENTORY SLIP

Date 12/26/14

Dept. Hose

Clerk Hatfield

Counted in Dozens	In Stock	Sold Later
Service	32 Doz	12/26-1-1, 2-1-3-4, 2-1-1-1, 2
		12/27-1-3, 4-2-3-1, 2-4-2, 3-2
		12/28-4, 2-1-6, 3-2-4, 6-4-3, 2-3-2

In Stock 12/28 - 24 Doz

This Shows a Method of Taking Inventory While Business is Going On

But it is not practicable to close the store. The plan followed by many involves staying down late Saturday night and hastily running through the stock and seeing what is there. This is not an accurate way of taking stock.

A simple system is to use "inventory slips" like the one illustrated here. Run off some on your typewriter with the aid of carbon paper. Or, if your stock is large, maybe it would be better to

Month		Inventory	Dry Goods	Notions	Clothing	Men's Furnishings	Fancy Goods Novelties	Toys	China Crockery	Glassware
January	Balance	10487.72	3417.14	607.18	1100.00	402.75	217.50	322.25	419.50	176.00
	Goods Bought	1419.90	217.43	31.47	200.00	42.50	14.00	61.00	37.50	29.60
	Total	11907.62	3634.57	638.65	1300.00	445.25	231.50	383.25	457.00	205.60
	Goods Sold	3271.42	714.16	77.15	390.00	121.00	42.75	24.00	142.00	127.15
February	Balance	8636.20	2920.41	561.50	910.00	324.25	188.75	359.25	315.00	78.45
	Goods Bought									
	Total									
	Goods Sold									
March	Balance									
	Goods Bought									
	Total									
	Goods Sold									
April	Balance									
	Goods Bought									
	Total									
	Goods Sold									
May	Balance									
	Goods Bought									
	Total									
	Goods Sold									
June	Balance									
	Goods Bought									
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July	Balance									
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	Goods Sold									
August	Balance									
	Goods Bought									
	Total									
	Goods Sold									
September	Balance									
	Goods Bought									
	Total									
	Goods Sold									
October	Balance									
	Goods Bought									
	Total									
	Goods Sold									
November	Balance									
	Goods Bought									
	Total									
	Goods Sold									
December	Balance									
	Goods Bought									
	Total									
	Goods Sold									
	BALANCE									

Month		Household Hardware	Paints	Tinware	Enameled Ware	Aluminum Goods	Wooden Ware	Groceries	Candy	Misc.
January	Balance	200.00	425.00	76.00	189.35	113.00	83.00	2119.42	212.70	441.13
	Goods Bought	78.00	16.00	69.27	72.00	21.50	33.70	387.21	100.67	—
	Total	278.00	441.00	145.27	261.35	134.50	116.70	2506.63	313.37	441.13
	Goods Sold	194.65	11.25	76.75	84.20	19.25	31.60	927.65	214.60	127.93
February	Balance	83.35	429.75	68.52	177.15	115.25	85.10	1578.98	98.77	313.20
	Goods Bought									
	Total									
	Goods Sold									
March	Balance									
	Goods Bought									
	Total									
	Goods Sold									
April	Balance									
	Goods Bought									
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	Goods Sold									
May	Balance									
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June	Balance									
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July	Balance									
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August	Balance									
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September	Balance									
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October	Balance									
	Goods Bought									
	Total									
	Goods Sold									
November	Balance									
	Goods Bought									
	Total									
	Goods Sold									
December	Balance									
	Goods Bought									
	Total									
	Goods Sold									
	BALANCE									

FORM FOR CONTINUOUS INVENTORY — This Combines Well with the Stockkeeping System Described on Pages 67 to 72.

have some printed. Or you could use pieces of blank paper. No fuss or feathers are needed in taking stock. Just count what you have in the store and list it.

As each box, each tray, each shelf is inventoried, there should be affixed to it one of these slips showing the exact count at that date. Then, have a rule that anybody who sells anything from a division of the stock bearing one of these slips shall indicate on the slip the quantity sold.

For example, the count in "Service" hose may show, on December 26, thirty-two dozen pairs. During the next two or three days, eight dozen pairs may be sold. A careful note of each sale should be made on the slip. Then, when the grand roundup comes, the slip will tell how many "Service" hose remain in stock.

This process should be worked on every branch of the stock.

Finally, at a given time when the entire stock has been covered, the slips should be collected and the totals computed—everything being listed on the inventory sheet at its proper valuation.

The plan is recommended for a fairly large store having several employes.

But it can work fully as well in the case of the smaller store.

Suppose you and one assistant are planning to take inventory in your store and attend to the sales at the same time. By using this system you can string your inventory out for several days if necessary and still arrive at the proper figure.

No elaborate plan of making the various footings is necessary. Rule off a large sheet of paper, listing the various lines you are carrying and enter the proper figures under each.

The form for a "continuous" inventory illustrated on the opposite page gives a good idea of how to rule a sheet of paper for inventory purposes.

Your merchandise account valuing the goods should be checked with the amount of goods your inventory shows on hand in the various departments. The balance of that count for each department will show the profit or loss, as the case may be, of that line.

For example, you charge your dry goods account with $5,000 worth of goods bought, crediting the amount during the year with say $4,000 worth of goods sold. Then your inventory shows you

have $3,000 more in dry goods. This would be a total credit of $7,000 to the dry goods part of your merchandise account. Thus the figures would show a profit of $2,000 which should be transferred to your profit and loss account.

It very readily will be seen that under these circumstances it is essential that you arrive at the proper cost or valuation of each and every item.

How are you going to fix this value?

It all depends on the condition of the goods.

If the goods are staple and in good condition and you may reasonably expect to have a ready sale for them they should be inventoried at cost price—that is to say the price at which they were bought from the jobbing house plus their proportionate charge for freight and drayage.

On the other hand, if the goods are old and shop worn, if they are out of style, if they are damaged so they will have to be sold at less than cost, they should be inventoried at the original cost price, less a fair figure allowing for depreciation.

Right here in this valuation business is where many a merchant fools himself in taking inventory. He makes the count accurately enough and makes proper deduction for goods sold while the inventory is in progress. He finds it easy to do this.

But when it comes to valuation he is too likely to look at his goods through a magnifying glass.

Be courageous and fair in valuing the goods.

If you have bought unwisely and have cluttered up your store with merchandise that has outlived its value, you have done yourself enough damage in this very act of overbuying. Why add insult to injury and put yourself in a worse hole than you are already?

Here is a good rule to follow:

IF THE MERCHANDISE IS NOT SALABLE AT YOUR USUAL PERCENTAGE OF PROFIT ITS INVENTORY VALUE SHOULD BE LISTED AT A FIGURE PROPORTIONATELY LESS THAN THE GOODS COST.

Go on this conservative basis and when your inventory is complete you will know what your goods are really worth from a cost standpoint.

Here is another thing you should remember:

Do not under any circumstances pin your faith to machine made automatic inventories. Insist absolutely on going over the actual goods and noting their condition and getting the proper count.

Automatic inventories are good so far as they go. In fact, we are presenting herewith a form for one. But their value is chiefly to give a merchant a day by day story of how his stock stands. He should always check such an inventory by count of the stock at least once a year. Twice a year would be better.

Many merchants find that our monthly catalogue of general merchandise—your tried and true friend "OUR DRUMMER"—is an invaluable aid to them in taking stock. This catalogue represents the most accurate pricing system in the world. Its quotations are scientifically made, taking into account the cost of producing the merchandise in large quantities. "OUR DRUMMER," therefore, should be one of your chief assistants at inventory time. It can be the expert in merchandise to which all questions of value can be referred.

Check your merchandise against the figures in this book and you will not go wrong. Your salable goods can be listed at the current catalogue figures or similar items. Your shopworn or damaged goods can also be checked against the catalogue figures, allowing the necessary deduction.

Be sure to put on the right valuation. If you don't, your inventory is wasted.

A continuous inventory shown in the illustration on page 84 is useful because it enables you to keep a good check on your stock throughout the year and to know just about where you stand at the end of any month.

But if you use this be careful that you make an actual stock inventory at the end of the year and check up your paper inventory with it.

The weak point in an inventory kept from month to month is that it does not keep track of shrinkage or deterioration in value.

However, when you keep a paper inventory and then check it up by the actual inventory the comparison is sure to be interesting and will give you a closer hold on your stock.

The method of keeping this continuous inventory can be seen readily by a study of the table.

If you start it with January, enter under the head of Inventory the total valuation of your stock as shown by your annual stock taking. Then distribute this value among such other departments as you may have.

At the end of the month enter under these figures the amount of goods in each department that you have purchased. The total will give you the value of the goods on sale in your store that month. Deduct from this total the amount of goods sold in each department and also the aggregate of the amount and you will have your inventory value for the end of the month. This will be shown both as a total figure and as distributed throughout the various departments of your store. Enter the figures for each month in this manner.

Of course, to be able to make the proper entries you must know your stock. Read in this connection the chapter which treats of Stockkeeping.

An inventory is taken to get at the real valuation of the goods.

And it is something more.

If rightly taken it can teach the merchant many valuable lessons he ought to know about his store.

When you take your next inventory, and are seeing how much of your merchandise is worth 100 cents on the dollar, keep your eyes open for other information that can come to you.

Get out of the same old rut. Don't merely measure, count or note. Study the merchandise as it is brought to light. Make plans as to the disposition of this or that.

One of the important lessons an inventory can teach is that the room of certain goods is better than their company. It may bring to light items that you had better give away, throw away or burn rather than have them in your store for a longer period. It will reveal goods that wise merchandising at once would cut the price on—sell at a sacrifice to get the place cleaned up.

Closing out such stock is the solemn duty of every merchant who wants to make a success.

In many a store merchandise is stocked that has been there for years. It may not be sold for several more years—if ever.

Such merchandise is not an asset to list on an inventory sheet. It is an absolute liability. And the longer you keep it the more expensive it will be for you.

Don't think the other fellow is meant here. These words are addressed to YOU.

A prosperous town of about 3,000 people was shocked one morning at the announcement that Blank Brothers had sold their dry goods store. It was whispered around that the sale was forced and that the net returns of the transaction left no profit with the brothers.

People were amazed. One member of this firm had retired from the presidency of a local bank about two months before and this had caused some gossip. But the general idea was that he was getting along in years and desired to dispose of some of his interests. Little by little the condition of the firm became known and it finally was learned that the brothers, after about twenty-five years of merchandising, had retired with considerably less money than they had when they started.

This is how it came about:

The store could not pay its bills, although it was the leading store of the town. Creditors believed in the brothers because of their long period of honest merchandising. But, of course, they wanted their money. Everybody does. Who in this world has anything to give away?

Finally it got to a point where in self-defense these men either had to sell out or go broke. They sold. And now for the trouble: While the sale deal was on, the person planning to buy the store made a thorough inventory of the stock.

He found piece after piece of dry goods that actually fell to pieces when he lifted them out from places of concealment. Fabrics that the women wore fifteen years ago and had forgotten about—these made up a considerable portion of the stock.

Merchandise that had cost many hundreds of dollars was absolutely not worth as much as it would cost to hire a cheap boy to dump it out into the back yard. Dress goods purchased to retail at seventy-five cents or a dollar a yard were not worth seventy-five cents for a thousand yards in the condition the stock was found.

Of course, this condition was not the result of any one year or any two years. But during all that long time—more than two decades—odds and ends had been piling up. Good, hard dollars, instead of being placed in the bank or in live merchandise, were in-

vested in goods that could not sell and that were placed under counters and in out of the way spaces to waste away into nothingness.

The inventory of this stock showed that enough merchandise actually had to be thrown away, the original value of which would have more than paid the firm's debts!

Why was not this deplorable outcome prevented? Why didn't that firm learn sooner that it was headed toward the rocks?

For the simple reason that its inventory was not thorough and that it did not learn from a yearly inventory the necessity of mercilessly rooting out the dead ones.

Then, an inventory can or cannot teach the folly of overbuying. If a merchant inventories with his head as well as with his hands he can see here and there places where he bought unwisely. He sees this by analyzing things. An overstock of something or other may excuse itself to him, in many ways, other than the true one—overbuying.

And so it takes courage—real courage—to take the kind of an inventory that means the most.

A man has to have the courage to tell himself the truth not only about the values of his goods but about various other conditions that the inventory may unearth.

If he sees merchandise on the way to the junk heap it takes courage to forget about the good money he paid and to root out this merchandise at whatever cost.

Courage, when you come to think of it, is one of the prime essentials of successful merchandising. It takes courage to see things in the right light. It takes courage deliberately to undergo a loss. It even takes courage, sometimes, to get a fair profit.

Have courage!

CHAPTER V.

Credit

THE life blood of modern business is not gold. It is credit. When people talk about money they generally mean credit. Credit moves the wheels of the world. It makes possible the various business enterprises ranging from the tremendous affairs of hundreds of millions down to the country store with its thousands.

Credit makes wars. Credit makes civilization.

Fully 90 per cent of this country's business is done on credit—on the permission to use another's capital.

This is a perfectly natural outcome of the nation's economic organization.

Most people work on credit. They get their wages or salaries weekly, semi-monthly or monthly. It is only a logical sequence that makes them want to buy on credit. In turn the retailer, who is the source of the people's supply, must have credit from his jobber.

So there you are.

Everybody in the chain from consumer to jobber and from jobber to consumer is working in the future. It is not what people have today, but what they hope to have tomorrow, that makes the great organization of business move.

Hence, credit.

Yet, even as the skillful and careful navigator is forced to take into consideration on his voyage the uncertainty of the works of men, so the business navigator, whatever his position, has to take more or less of a chance. He can see to it, however, that his business ship is ballasted with sufficient capital to keep it steady. He can surround himself with every trade safeguard which ought, all things being equal, to bring him safely into the harbor of success.

This very uncertainty of credit makes it one of the most precious possessions of the modern retailer. Being uncertain in a measure, credit must be based on confidence. This being so, credit

is really a part of the merchant's capital—the biggest and most important part. In distress, disaster or calamity, what is so essential as credit? Poor indeed is he without credit, even though he may have wealth.

Credit must be earned. You can't buy it. You can't borrow it. It is gained by the net result of a man's character and ability. It is maintained by being "four-square."

Men of character can get a start toward a firmly established credit. But it takes men of character and **ability** to develop credit to its fullest capacity. John Anderson, spoken of on a preceding page, had character. So he got credit when his business skies were fair. When trouble came, though, he LACKED THE ABILITY TO DEVELOP HIS CREDIT to make it fit his increased needs. His lack of ability was shown in his failure to know his store.

Character plus ability means credit. This is why the man of high credit is not only a better merchant, but a better citizen.

When a merchant applies for a line of credit, he has to pass an examination on four great fundamentals:

Capital.

Character.

Ability.

Promptness.

Leave out any one of these, and the credit structure is not complete. Capital without character or ability soon finds itself on the rocks. Ability and character without capital can accomplish little. Capital, character and ability may be centered in a merchant, but if he is slow pay he is an undesirable credit risk.

Which should come first? All, if such a thing could be possible. All are equally important.

But let us consider capital.

In commencing business, a man should have enough capital to pay for all, or nearly all, his opening bill and fixtures.

It is highly desirable, also, that he have a fair knowledge of the business or experience as clerk or manager in kindred lines.

If the capital can be the result of his own earnings, so much the better. If earned and saved, its value is much more appreciated than if inherited or borrowed.

In case there are no assets except the original cash capital, the beginner should not object to paying down practically all of the first purchase before the goods are shipped. When the money is mostly borrowed, he should be able to supply a guarantee of the person advancing the funds to cover his running account.

As to the actual amount of capital necessary to make a start, this must depend on circumstances and local conditions. There are instances in commercial life of remarkable men with little or no capital achieving great success. Such men, though, would succeed under almost any condition and are the exception.

We know of merchants who began with $500, $400 or even $300 and are today eminently successful. But these are unusual men in above-the-ordinary locations.

As the country becomes more thickly populated, it naturally becomes more difficult to succeed with such meager funds. The more people in a community, the more merchants will there be. This means stronger competition and more capital to meet it.

Any merchant, beginner or no, should have sufficient cash within reach to discount his bills, or at least pay on maturity. He should be equipped, also, to meet the emergencies that come, at intervals, to every business.

Another fundamental of credit is character.

Good character is at the foundation of good business, for without it there can be no lasting success.

Good character includes honesty, industry, economy, sobriety and strict attention to business—qualifications, by the way, that will keep a man on the right path in any walk of life.

Good character broadens a man. It makes him so big that he will not stoop to misrepresent or deceive.

Good character brings honor and reputation. These, when adversity comes, will keep him from seeking the refuge the law throws about him. These enable him, in this condition, to face the future with a strong heart and unshaken determination; to bring into play all his resources and resourcefulness, thus saving his creditors from loss and protecting his own name from the reproach of failure.

Is it to be wondered that credit dispensers, the world over, give high consideration to a man's character?

A third great essential to high credit standing is ability—mercantile ability. A man may be a great statesman, writer or lawyer and yet not succeed as a merchant.

The successful merchant is a good buyer, a good seller, a good manager.

As a good buyer he will be free from personal influence. He will do HIS OWN BUYING. He will aim to keep the variety up and the stock down. To do this he will compare values, then buy judiciously and with discrimination. He understands it is better to pay $2 a dozen for the quantity he needs than pay $23.50 a gross in order to get the price. Though he often will be tempted, he seldom will fall to that great cause of failure—overbuying.

As a good seller he knows his store should be well located and well arranged. He knows how to take his store to the people by means of live advertising. He keeps everything in plain sight. He has a price ticket on each article. He practices good housekeeping.

As an efficient manager he tries to keep sales up and expenses down. He is constantly after the "just a little more profit." He understands that it always is possible to do a little more business on the same outlay for expenses and that the profits thus gained are pure cream. He watches the relative proportions of his store expenses, realizing that when they run more than **18 per cent or 20 per cent** of sales he had better watch out. He will discount his bills or pay them promptly when due. He will take capital out of the business for safe investment only as the business warrants it. He will not start a branch store until he has exhausted the success possibilities of the old one. He knows the value of economy and will live well within his means. He will keep a set of books sufficient for his business, so he will know daily just where he stands. He will take inventory at least once a year, and in that inventory will tell himself the whole truth.

Then, there is promptness—another great principle of a good credit standing.

Even though a merchant has ample capital, good character and ability, there is something wrong if he does not discount his bills or at least pay on the due date. Realizing the binding nature of a contract, a good merchant will pay interest on borrowed money rather than fail to discount his bills or pay them at maturity.

Right here is a good place to say a word about the value of dis-

counting. Discount means money in your pocket. It is a source of real revenue. It will pay your freight, your lighting bill and your insurance premiums.

Discounting increases your buying capacity. Suppose your line of credit is $500. If you pay at maturity, you can buy $500 worth of merchandise in 60 days. If you discount in 20 days, you can buy $1,500 worth in the same time.

A discounter has no difficulty in getting a special line of credit almost any time, if he can show his needs are legitimate and he is not overbuying.

When a merchant overbuys he can't discount. This stands to reason. Carrying a stock away out of proportion to the sales always will hinder a man from taking discounts—just as will the failure to keep books. If the cash is tied up in a slow-moving merchandise, how is the merchant going to get it to his creditors within the discount period?

But there is room for caution even in such a good thing as discounting. It may, under the wrong kind of conditions, cost you more than it is worth. The concessions offered by some are misleading and might mean a loss of several per cent. For instance, a jobber offers you an article at 95 cents a dozen, less 5 per cent. Another offers the same item at 90 cents, less 1 per cent. Do you gain anything by paying 95 cents to get the larger discount? The answer is plain on its face. Always remember that the seller considers the discount when fixing the price. Hence, big discounts mean increased profits to the seller. They also mean a loss to the buyer.

The credit man loves the discounter. This is a consideration worth something, in addition to the extra profit gained by discounting. When a man discounts, he gets the reputation for being good pay and a thrifty and successful merchant.

Be a discounter, even though you have to borrow the money to do it.

By this token you will be carried to a greater success.

WHAT YOUR CREDITORS SHOULD KNOW.

Credit is cheapened sometimes by unseemly striving to sell merchandise without due regard to pay day. The large number of failures brought about by overbuying have their inception in cheap

credit. This makes thoughtful merchants appreciate it all the more when they are given a line of credit consistent with the risk involved.

Overbuying is possible only when creditors allow credit out of proportion to the retailers' net worth. It occurs only because the seller will not or cannot draw the line. The extension of credit then is reduced to a gambling proposition. REAL HARM IS DONE A MERCHANT WHEN A CREDITOR FAILS TO JUDGE HIS CASE ON ITS MERITS.

There have been numerous cases where merchants hardly out of bankruptcy—in the face of suspicious failures—have been able to buy thousands of dollars' worth of goods on open account without quibble or question. Instead of getting loaded up to the chin like this, they should be feeling their way, proceeding modestly and demonstrating their ability competently to conduct business.

Many merchants with limited capital are permitted to owe to one creditor alone an amount exceeding their available assets. Worthy men are induced by flattery or otherwise to sacrifice variety for quantity, when the policy of absolutely judicious buying is the only thing that will promote and conserve the health of their business. If a creditor means well, he will use his influence to prevent the commercial sin of overbuying rather than to promote it.

One of the very reasons why investigations are so stringently made as a preliminary to credit extension is that it is necessary to determine whether any of the houses from which a dealer buys are inclined to "load up" their customers. These figures are compared with those in his financial statement. An opinion then can be formed as to his ability to resist the temptation to overbuy.

Therefore, because a dealer can get an abnormal line of credit at one source of supply, it does not follow he will be given the same accommodation at others.

Here is the line of reasoning:

A house which sells without a buying limit must necessarily have larger losses than the house that is careful and conservative. Knowing that the establishment must make a profit, you rightly conclude that these losses must be made up in some way. The usual method is to add a little more to the price.

Who pays the bill?

Isn't the burden on the good and not on the bad?

Hence, mutual confidence and mutual knowledge must precede the granting of credit. Without these there can be no credit.

You should know your jobber is responsible and honest.

The jobber has a right to know the same things about you.

If a house says it quotes but one price, one discount and the same terms to all, you, as the prospective buyer, should find out about the reputation of that house for telling the truth.

The responsibility of your jobber is easily found by simple reference to the reports of Dun and Bradstreet.

The jobber should have the privilege of tracing you by the same means.

The work of these two agencies is so interwoven with the commercial life of the country as to be an absolute necessity. It is their task to list and rate every business man of the country, big and little, and keep a record of the thousands of changes that occur each year.

Their best and chief source of information is by statement of the person they are rating. If he will answer promptly and candidly, ample justice can be done all concerned. If he refuses, they are obliged to depend on outside or hearsay information. In nine cases out of ten this results in no rating being assigned.

A BLANK RATING IS A DANGER SIGNAL TO THE CREDIT MAN. It means caution and delay. It probably will result in orders being held up.

A proper rating in Dun or Bradstreet is a tremendous advantage. Most retailers and jobbers recognize this and report promptly to these two agencies.

Beginners in the merchandising field often are offended when reports to the commercial agencies are not followed by instant response by the credit managers. They should remember that it takes from two weeks to a month for the agencies properly to corroborate and collate reports concerning the new merchant.

Frequently, when reports at the agencies are unconfirmed or incomplete, the merchant in question is asked by a credit manager for a statement of his affairs.

Every business man of experience knows, or should know, that a request for a statement does not impugn his honesty or question his good intentions. It means only a desire to treat the retailer fairly. To give this fair treatment, it is essential that the credit department know the real conditions.

Some merchants object to making statements. Their reasons are seldom justifiable. You cannot gain the credit man's confidence unless you give him yours. A refusal to make a statement may be due wholly to a sentimental sense of pride or a feeling of independence. Your business may be entirely sound and you may be entitled to a full line of credit. But your attitude gives the credit man the impression that there is something you want to conceal. It puts him on guard. The result is a loss for both.

In what does a statement consist, and what is available for credit purposes?

If the statement is to be true, you must have a dependable knowledge of the value of your stock. To know the real condition of your business stock should be counted at cost each year. Don't overestimate the value of your fixtures in making a statement. A common practice is to list the first year at cost, less one-third the purchase price. The second year, list them at cost less two-thirds and then carry them at that figure.

When making a statement it is not expected that you go to the trouble of taking stock. If you have taken inventory within three or four months, submit those figures, allowing for your purchases and sales since then. Even if the inventory is older than that, you can arrive at a reasonable estimate of the value of your stock if you allow for additional sales and purchases.

Your cash on hand and in the bank should be stated, as well as money loaned on good security, such as real estate. Give notes and accounts if you are confident they are good, but don't censure the credit man if he cuts them in two, in arriving at your credit basis. List your real estate at a conservative estimate, but be careful to say if it is held in your own name or in joint deed with others. If it is held in joint deed, it will not help your credit unless the other person is your partner.

In listing liabilities be sure to say whether your merchandise is covered by a chattel mortgage. If there is such a mortgage, don't be surprised if you are refused credit. A chattel mortgage is such a decided preference to one creditor as to be a menace to all the rest. It impairs the credit standing of the merchant giving it. Nearly all houses refuse to give credit under these conditions. If given at all, it is under the most extenuating circumstances.

Keep away from chattel mortgages on your stock. Few mer-

STATEMENT.

DATED AT Independence, Wis. Jan 3. 1910

FIRM NAME Frank G. Smith
ADDRESS Independence, Wis.
CORPORATION ______ CAPITAL STOCK ______ AMOUNT PAID IN ______
PARTNERS' NAMES None Married or single
" " Married
AGE 42

I present the following as a true showing of my business affairs and worth at this date, for the purpose of obtaining a line of credit from BUTLER BROTHERS, CHICAGO.

Stock on Hand,	$4375.00	Chattel Mortgage on Stock,	None
Notes and Accounts (good),	$165.00	Owing on Stock, Due,	Nothing
Cash on Hand,	$438.00	Owing on Stock, Not Due	$430.00
Real Estate, Exempt,	$3800.00	Borrowed Money,	$300.00
In Whose Name,	Frank G. Smith	To Whom Owing,	Farmer's Bank
Real Estate, Not Exempt,	$5500.00	Encumbrance on Homestead,	None
In Whose Name,	Frank G. Smith	Encumbrance on other Real Estate,	$1000.00
Other Personal Property,	$650.00	Mortgage on other Personal Property,	None
Other Assets,	None	Other Liabilities,	None
TOTAL ASSETS,	$14,928.00	TOTAL LIABILITIES,	$1730.00

NET WORTH, $13,198.00

Insurance on Stock $3500.00 Insurance on Other Property $3000.00
How Long in Business 9 years Amount of Sales for Past Year $20275.00

MONTHLY EXPENSES

Rent $65.00 Owner's Expenses $100.00
Help $60.00 Heat and Light $25.00 average
Bank with Farmers Bank, Independence, Wis.

References: (Be sure to mention names of wholesale houses who grant you credit.)
Gordon Pettigrew & Co. — Milwaukee, Wis.
Ferry, Taylor & Co. — St. Paul, Minn.
Fox, Roe & Co. — Chicago, Ill.

I certify that the above is correct, that there is no other indebtedness except as above stated, and that I will promptly notify said Butler Brothers of any change in my business affairs affecting above statement.

Signed Frank G. Smith [SEAL]

Here is a simple form of Statement used by one of our credit departments. It is filled out in a model way that gives ALL necessary information to the credit man.

chants would give such security if they had an adequate understanding of how completely it put them at the mercy of the man holding it.

In one place in the statement, note the exact amount of bills owing for merchandise. In another, name the exact amount of bills past due, if any.

Mention three or four houses who are giving you credit. Also give your banker's name. These will be satisfactory references. If you are just starting in business, the name of your banker and three or four prominent citizens will suffice.

To make a statement that will gain credit for you, it is essential that you keep books. Refer to the case of Anderson again. That the average merchant should treat the keeping of books with neglect or contempt is beyond the understanding of the credit man. Bookkeeping is as important for the success of a business as is the judicious purchase of stock. A merchant cannot be just to himself or his creditors unless he keeps acquainted with his business by means of well kept books.

Fire insurance is another thing that should be mentioned in the statement. Many merchants neglect to carry insurance because the rate is too high. They should bear in mind the greater the rate the greater the risk—hence the need of insurance. Do not blame the credit man if under certain conditions he refuses you credit because you do not carry insurance.

When a corporation applies for credit the amount of capital stock paid in should be given with the par value of the shares. The information should include the names of the officers and directors.

It is better not to incorporate if the business is small. The difference between partnerships and corporations is not generally or clearly understood. In the corporation each stockholder is usually responsible only for the amount of his unpaid subscription.

In partnership each of the partners is responsible for all the debts.

From a selfish point of view, a corporation is more beneficial to the merchant when he gets in trouble. But so many complications arise that corporation is not the best thing for the firm with small capital. A partnership is better, even though the profits must be divided between two or more, and though differences of opinion may arise.

Don't put too heavy a strain on your credit. If you do, you are likely to wreck it.

Credit is overstrained to the snapping point through too heavy buying. And here is a word of caution that every high grade credit manager in this country would be glad to indorse:

We are not speaking right now so much about the loss of profits that comes from overbuying—about the folly of filling one's store with a few lines and thus using one's capital to obtain only a few profits where many could just as well be gained. All this is serious enough. But the most serious penalty incurred by the too heavy buyer is that he puts his credit in jeopardy.

Nearly every merchant at some time during his career suffers the temptation to overbuy without due regard for its possible effect on his credit. On his ability to rise above this temptation rests his subsequent success.

It is natural for you to want to do all the business you can—to grow rapidly and perhaps start another store. But you can stretch your capital and your credit only so far. You can't do all the business on the street. Why try? You should be content with a steady growth in proportion to your capital—your capital both of available money and credit.

To owe more than a third or a quarter of your quick assets, is to risk putting your credit in peril. It is even safer to have an indebtedness of a fifth or a sixth of your assets.

It is possible that you—an honest, ambitious, well meaning merchant—may at some time yield to the temptation to buy more than you should. Suppose that you find some day you owe one-half of your quick assets and at the same time see your sales falling off one-third or one-half. What then? Your bills fall due. Your showing is such that your banker may not advance the necessary money to liquidate the indebtedness. What is best to do in this extremity? Should you become panic-stricken and rush to see a lawyer? Or should you seek the advice of a reliable and safe counsellor such as every credit manager should be?

Of course, you would put your case before your creditors, holding nothing back, and your honesty would bring to you every possible consideration to which you could be entitled.

Here is another extremely important point. Don't miss it:

If you should get into such trouble as we have just described, which would you rather have—THREE OR FOUR CREDITORS OR FIFTEEN OR TWENTY? Just think how much easier it would be to gain extensions from three or four than it would be from a score.

The point is plain: CONCENTRATE YOUR PURCHASES. Confine your dealings to a few reliable houses—the fewer the better. Then you can cultivate intimate relations with the various credit managers. And the net result will be that your business will be on a safer and saner basis throughout.

Many examples from real life can be brought up as proving the wisdom of concentrated buying. One especially comes to mind right now.

A merchant who enjoyed good credit because he always paid his bills promptly was in the habit of scattering his purchases among many jobbing houses. He would come to market and buy a hundred dollars' worth or so in one house, perhaps double that amount in another and place orders for various sums in others. Consequently, he would overbuy very heavily without realizing just what he was doing until it was too late. No credit manager had the necessary information to counsel or restrain him; as his purchases with each house were well within his credit limit. In the aggregate, however, he bought much more heavily than any one house or perhaps any three or four houses would have advised. The inevitable pay day came. And in the settlement the merchant was forced out of business. He is working on a salary today—not a very good one, either.

He absolutely and literally threw his business away. His twenty or more creditors could not agree on terms of extension and so the business had to be sacrificed.

Suppose this man had had business relations with only three or four leading jobbing houses. How simple it would have been for these credit managers to get together and give the man a lift! For he was worthy of a lift in every sense. He went wrong without hardly realizing it.

In fact, had he concentrated his purchases in this manner he probably never would have overbought to such serious proportions. As it was, he bought at so many places that no one or three credit managers had any knowledge of the perilous position into which he was drifting. Had he bought only at a few houses the facts

would have been known and unquestionably he would have received valuable counsel that would have convinced him of the error of his ways—convinced him in time.

He most likely would have seen the light himself and applied the right methods before it was too late. He was in the position with his buying as is a woman with unlimited credit in all the leading retail stores on the main street of a big city. She goes on a shopping tour. In one store she sees this and that that she likes. "Charge it," she says. The operation is repeated in the next store and in the next and next. Each transaction is relatively small. Carried away by the interest of the occasion, temporarily bereft of her better judgment through the rush and pleasure of the afternoon she is amazed after she gets home at the aggregate of her purchases.

When the first of the month comes she is likely to have an uncomfortable session with her husband as the bills come in. Buying at one or two stores, she would not have fallen into this troublesome error.

Concentrate your purchases! This is one of the necessary essentials in maintaining your credit and your prosperity.

Here are a few more bits of advice to the merchant who would remain in good standing with the credit manager:

Be fair in the matter of discount.

Some merchants persist in deducting discount after the time for discounting has expired. While those located far from the house are entitled to some consideration, it is manifestly unfair to others to make the concession. Some merchants, too, insist on a better discount than the terms of purchase provide. It is out of the question to make the allowance in either case. In no other way can the policy of the same treatment to all be maintained.

Keeping an account with the jobber:

A surprisingly large number of merchants make remittances without saying what bills they are to pay or to be applied upon. If the account is active it is almost impossible, under this way of doing, to keep it straight, and endless dissatisfaction results. It often happens when we submit a full statement that the merchant is unable or unwilling to check it against his books. This is chiefly because he doesn't keep an account with his jobbers, crediting them with goods bought and charging them with remittances sent and claims allowed.

How do you pay your bills to your jobber? Checks are acceptable, but drafts, money orders and express orders are much preferred. We have to pay exchange amounting to thousands of dollars. Then, a check really is not payment until it has been cleared. This takes three, four or five days. Dating checks ahead is bad practice, and indicates to the credit man that the merchant is sparring for time.

Answering correspondence:

Many merchants are extremely careless about answering correspondence. This is discourteous and productive of misunderstandings. Claims sometimes are placed with collectors when a short letter frankly explaining conditions and saying what could be done would have prevented such action.

More than one merchant's credit standing has been wrecked by neglect of his correspondence.

Don't neglect yours!

THE BUTLER CREDIT POLICY.

The credit policy of Butler Brothers is and always has been liberal and constructive.

Believing in the good intentions of our customers, and having confidence in the honesty and ability of the average merchant, we ever have been ready to aid the worthy with our capital, by extending him credit sufficient for his reasonable needs in our lines.

Judging by the past, our confidence has been fully justified. Hence, we can safely say a liberal and constructive credit policy ever will be one of the dominant features of our business.

We like to trust. We like to be trusted.

Our credit men want to sell as much merchandise as they can by extending as full a line of credit as ordinary prudence will dictate.

While this is so, our credit department has a duty to you, also. In the discharge of this duty, it may be that your line of credit has been limited.

If so, just remember that more distress and failures are caused by too much credit than the lack of it. This makes us believe we are doing right when we keep a merchant's purchases within reasonable limits.

True, you ought to be the best judge of what you want and

what you can sell, but ARE you? Must we refer to the many failures caused by well-meaning merchants overreaching themselves?

Ask any experienced and successful merchant how much he has suffered by injudicious buying. Ask him if he doesn't have to guard against it right along. Study the thing from this standpoint, and you probably will not take it as a personal affront if the credit man wants to consult with you as to the wisdom of shipping your increased purchase.

If you already are operating under a heavy load, he probably is your best friend if he restricts you.

At times, a merchant will tell us that he cannot reconcile the fact that while his references appear satisfactory the desired credit extension is not made. This is easily explained.

When a merchant is called on for references he naturally gives only the names of those houses with which he has had satisfactory dealings. He considers it unwise to submit any which have had to sue or to wait weeks after maturity for payment of bills. Consequently, when the investigation is completed it is discovered that some of his bills have not been paid as promptly as they should be. In other cases, it is found that the applicant's liabilities are excessive or that he is inexperienced or a poor manager. References, after all, are only one of the means to an end.

A man who is inclined to be slow in payment should really be all the more willing to show his creditors his condition so they may suggest remedies. They, viewing the situation from afar and having the advantages of experience, will see it clearer than the merchant whose nose is to the grindstone continually.

Right here is a good place to say that IF DEBTORS WOULD GO TO THEIR CREDITORS OFTENER AND TO THEIR LAWYERS LESS, they would be better off financially and otherwise.

Now and then we are asked to ship a bill of goods and take a chattel mortgage on the stock as security for payment. This we always decline to do, as it is against our principles to tie up a merchant in that way. Our ideas on chattel mortgages have already been stated. A merchant with a mortgaged stock is practically compelled to buy in one channel. TO BE IN A POSITION WHERE YOU CANNOT PURCHASE WHERE YOU WILL IS TO INVITE DISASTER.

To Butler Brothers the question of fire insurance is weighty, and we insist that a merchant be protected. This subject is treated in another chapter.

Close adherence to terms must go with liberality in credits. No right-minded merchant will blame us for insisting on payment when the bill comes due. It only is by collecting promptly that we can continue to quote low prices.

Here is a suggestion we wish you always would remember:

Should misfortune overtake you or unforeseen conditions arise, do not go to others for advice. COME RIGHT TO US AND TELL US ALL THE FACTS. You may depend upon it that we will stand by you if you show you are doing the best you can. All we ask is fair treatment and we surely will give the same in return.

The subject of credits is delicate. There is much room in it for misunderstanding and disagreement. Many merchants are sensitive, and take the slightest inquiry as a personal reflection. They regard their good intentions as all-sufficient, not remembering that the great mass of those failing to achieve success are honest and well-meaning.

The credit man has rather a tough job. His path is not strewn with roses. With keeping sales up and losses down he is between two fires. He has to act as a bumper between the salesman, the customer and the house.

He tries, though, to do his duty as he sees it. When he makes mistakes—and who doesn't—he is willing to correct them when shown.

We wish our customers could understand how much benefit they could gain through frank communion with the credit experts in each of our five houses. Too many merchants are inclined to regard the credit man merely as somebody who checks them up closely to learn the truth about their financial responsibility and to see that they pay their bills. This is only a part of the credit man's duties—at least under the credit policy pursued by Butler Brothers.

Our credit men always are ready to give counsel and assistance whenever and wherever needed. Make a friend of your credit man. Tell him your troubles. He is trained in such a way that he many times can give you the most valuable service. The life of many a store has been saved through the friendly intercession, counsel and assistance of our credit men.

Not long ago a man entered one of our houses to buy a stock for a new store. Not having a rating with us he dropped in to the credit man's office to fix things. He had money and the best kind of references. He had ability and a will to succeed. But he also had an unusually sensitive disposition.

He outlined his plans to the credit man—all about the store he expected to rent, the amount of stock he expected to carry and so on.

Knowing the town, the credit man saw at once from the amount of money that the man was going to pay for rent that the location was not desirable. Moreover, he expected to invest in his first stock more money than the dictates of sound business judgment would warrant. The credit manager frankly told his impressions—and the merchant was displeased in two ways. He seemed to think he knew enough about business to select his own location. He also apparently felt that the credit man, by suggesting his contemplated investment was too large, really questioned his ability to pay. But the credit man soon convinced his caller that he was acting in his interests as well as those of the firm. And the man was fair enough to see it. He spent less money than he had planned and took a better location.

This is just an ordinary example of what happens right along in the course of our credit business. It might be said that the credit man was not fulfilling his duty to his house in not permitting the merchant to pay out his good money in as large a quantity as he wanted to. But the exact opposite was the case. Our interest in a man does not stop when we sell him his initial bill of goods. In fact, it only begins.

Our credit men are your friends. Unless they promote your interests as well as ours they are not looked upon as succeeding in their work. Let them help you. Let them advise you. You always will find they respect your confidences and will always be ready to give you the benefit of their expert training in financial matters.

You and Your Banker

HOW are you fixed with your banker? Have you gained his confidence? Or does he say NO to you?

Being right with the banker is one of the fundamentals of good credit. A banker, in a sense, really is a credit man, and should be accorded much the same treatment. Upon your success in getting on with him will depend very largely the well being of your business.

Every business man should have an account with a reliable, accommodating local bank and should get as intimately acquainted with the banking people as possible.

Your business affairs should be an open book to your banker. All your transactions with him should be 100 per cent frank and honest.

Are you sure you regard the banker at his real valuation? Do you understand him as he really is? Do you have an adequate comprehension of the banker's business?

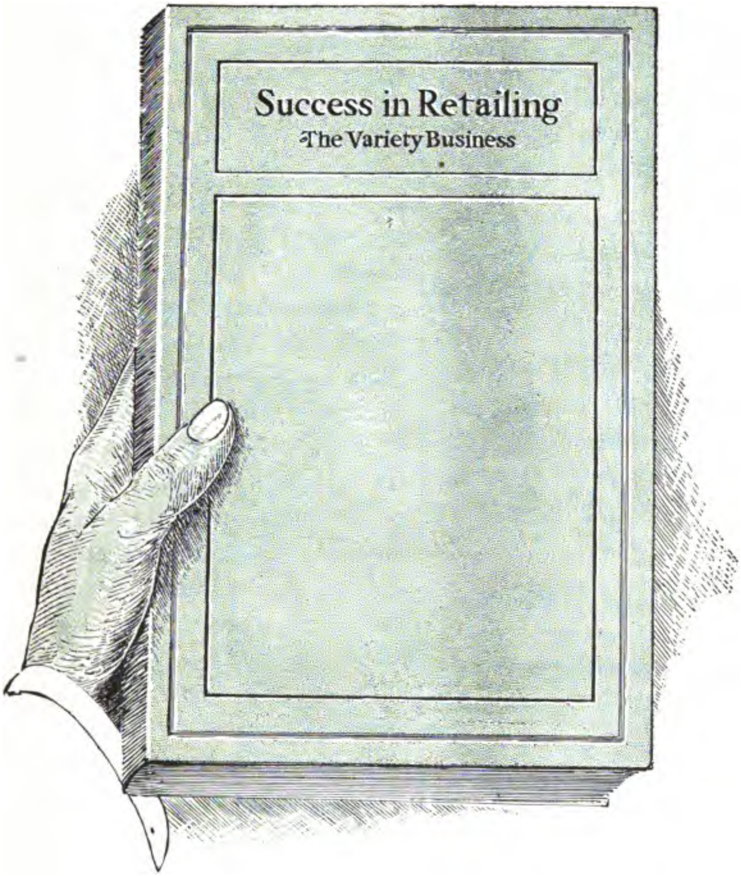
A banker's stock in trade is money. He handles it very much as you do merchandise. He sells the use of money. If he couldn't do this, he wouldn't be running a bank very long, as he would get no profit.

This money the banker handles is there for you to use in expanding your business. The banker is glad to let you have it under the right kind of conditions. And he is as eager to make the transaction as you are.

Some merchants seem to regard the banker as one who, if he got the chance, would prey upon them and squeeze them dry. They keep away from him as much as possible and then go to him as a last resort when they need money. Then they go, hat in hand, much in the frame of mind of the man who faces a judge to be sentenced for stealing chickens.

When you sell a thing to a customer, who is being favored,

Going Into Business For One's Self



THIS book has helped literally thousands of men and women to attain success in business on limited capital It has had a larger circulation than any business volume ever put in print. More than one hundred thousand copies have been sent out on request to merchants and prospective merchants all over America and in foreign nations. You may have a copy if you will fill out the blank over the page.

BUTLER BROTHERS New York Chicago St. Louis Minneapolis Dallas

Exclusive Wholesalers of General Merchandise

B2559Ja6

The Best Business in the World for Men With Limited Capital

Do you want to go into business?

We know of a business which has greater success possibilities than any other for the young man of limited capital who wants to put into it plenty of intelligence, perseverence and energy:

We refer to the variety business —the business of retailing things at nickels, dimes and quarters and other popular prices.

The variety business is popular with the man just starting out because of the extremely moderate initial investment required and the sureness and bigness of the returns.

We can show you WHERE to start. We can show you HOW to start. We can help you attain complete success after you ARE started.

Young man, the 5, 10 and 25 cent business is one of the mightiest forces in present day merchandising—the modern miracle. It has wrought wonders, but still greater wonders are coming.

The men of today who have won with this great vibrant thing will find tomorrow that their records have been eclipsed by others who are now in the "coming" class.

The power of the variety business rests in the greatness of the values it offers and in their popularity with the people. Modern methods of manufacture and last word efficiency in distribution have brought about this condition. Variety stores are popular with the people because they save the people money. They are popular with merchants because they can be operated without investing large capital, the exceedingly active turnover of the goods making a moderate amount of capital go a long way. All these favorable conditions are being accentuated by the steady growth and improvement in all the things having to do with making, distributing and retailing popular priced merchandise.

There never was a more favorable time for getting into the variety business than right now.

We invite you to make use of our facilities in this direction—or at least to look into the proposition for your information. Read about these things on the other pages of this circular.

A Book That Tells the Secrets of Real Success With a Retail Store

If you want to know how to win in business, read "SUCCESS IN RETAILING."

This book is based upon the experiences of retailers who have made good in every sense of the word, upon the principles of retail store attainment which we have learned in many years careful study of the subject. Into it went the knowledge of many merchandising experts in our five houses, each of whom is a master in his line.

"SUCCESS IN RETAILING" refers directly to the variety business and in general to all kinds of retailing. Wherever variety goods are sold it is famous as a never failing source of inspiration to the man who really wants to win. Just as it has helped many thousands, it can help YOU.

"SUCCESS IN RETAILING" shows how to develop the POWER side of a business, just as "THE BUTLER WAY SYSTEM BOOK" shows how to develop the control side.

"SUCCESS IN RETAILING" is especially good reading for the young man—and for ANY man who is willing to strike hard for success and to pay the price it exacts. It is interesting reading for anybody.

"SUCCESS IN RETAILING" tells the great "how" of business success—particularly variety business success.

If you Want a copy of "SUCCESS IN RETAILING"

Fill Out and Mail This Coupon to Any of Our Five Houses

If you want us to give your case special study fill out the other side also

Date____________________

BUTLER BROTHERS:

Please send me, without charge, a copy of "SUCCESS IN RETAILING."

Name____________________

Street Address ____________________

Town____________________

State____________________

See other side.

How We Help New Merchants Find Locations Best For Them

In each of our five houses we have a department whose duty it is to see that ample and dependable information is afforded prospective merchants who inquire after openings for variety stores. This department, which we call our Location Bureau, keeps in closest touch with business conditions all through the country with special reference to opportunities for extending the variety business. Whenever a town is reported as being a good place for a variety store it is subjected to a careful personal investigation. If it is pronounced a favorable location it is entered upon the list together with all necessary information such as size of town, class of people, predominating nationality and religion, available store room, rentals and so on. You may depend upon what this Location Bureau tells you. If the variety field in a town already is filled or if it is an unpromising place for a venture of this kind, the Location Bureau always frankly says as much to the inquirer. Nobody is ever advised to go to a town unless there is reason for believing he will fit in there and have a fair opportunity for success.

Ask our Location Bureau!

IF YOU WANT TO START A STORE

Or want to consider doing so if you can find a promising opening, fill out and mail this coupon.

This will bring you without charge or obligation, the expert assistance and advice of our Location Bureau.

BUTLER BROTHERS: Date__________

Please tell me about variety store openings.

My Age__________ Experience__________

____

Nationality__________ Prefer town of __________ (Give size)

in ____________________ (Name several States in order of preference)

Name____________________

Street Address and Town____________________

State__________

the customer or you? The proper answer is BOTH. How would you like your customers, as they enter your store to purchase something, come with fear that you would not confer the favor upon them? They don't enter that way, if they have the money to pay for what they want, or if their credit is good. They enter your store because you have something they need—something you can sell at a fair price, and that they are willing to pay for. It is a business transaction, pure and simple. If you don't want to sell them, they can go to your competitor. As long as they are on the square with you, they know full well that anything in your store is theirs, and that you will expend a great deal of effort to get their trade.

Why can't you regard your banker in the same light? Why isn't his money merchandise as much as is your stock? If he couldn't get people to use his money, and pay him for the use of it, he could not run a bank ten minutes. If he couldn't loan money, he would be in the same shape you would be if you couldn't sell merchandise.

A distorted idea about borrowing money has kept many a merchant from building up his business right. They fear it is a reflection on their business ability, on their credit, when they have to ask for a loan. The fact is, there are plenty of times when a merchant loses by not using the banker's money.

Take, for instance, the discounting of bills. You actually can save money by paying interest to the bank for money with which to take your discount. It is expedient, at certain times during the year, to arrange short term loans to take discounts or meet maturing bills.

And loans of this kind, if your affairs are right, boost your credit not only with your jobber, but with the bank as well. The banker is like the credit man: He has a high regard for the merchant who discounts or pays promptly at the due date.

To be right with the banker you have to be right with yourself. To be right with yourself and your store you have to know yourself and your store. Hence, the necessity of being able to show your banker at any time that your affairs are in satisfactory shape.

In going to the banker for money the first time, it will be necessary to give him a statement much after the style of the one outlined in a preceding chapter. If this is correct, he should readily consent to the loan on your plain note.

If your showing does not impress him, he may ask a chattel mortgage on your stock. Don't give it. You can't afford to jeopardize your credit standing in that way for the temporary advantage the loan would give.

He may ask a signer or surety. In this case tell him you have no difficulty in getting credit from wholesale houses hundreds or perhaps thousands of miles away—while he is right on the ground. Then he more than likely will fix you up without security of any kind.

Once in right with the banker, you have added just that much more strength to your credit structure, and have gained an asset of tremendous value.

Cultivate your banker!

Tell him the whole truth.

Be so well acquainted with your business that telling the truth will be easy and convenient.

And remember in dealing with your banker to be fair with him.

Some merchants apparently are afraid of the banker. Others impose on him—or ride him.

Your banker is, or can be, or SHOULD be your best friend. The report he gives the commercial world regarding you when called upon for information is more important than anything anybody else can say. Your banker usually is the last source of information to confirm statements regarding your standing gained through other channels.

A banker in discussing this matter recently said a common mistake of merchants is that of trying to borrow all the money for operating expenses and then carrying just as small a daily balance as they can manage. Such a condition makes your account of little value from the banker's viewpoint. And, of course, this has some effect in influencing him as to the kind of report he should make concerning you.

This is not an argument in behalf of the banker. It merely is an attempt, for your own good, to put you in the right attitude toward the man who loans money. Anyway, every proposition has two sides.

Pay all your out of town bills with exchange rather than with local checks. The slight additional expense for exchange is well

invested both for you, your banker and your jobber. It makes your account more valuable to the banker. It strengthens your credit.

Of course, it goes without saying that every up-to-date merchant has a bank account. The advantages of having it and disadvantages of not having it are too obvious to need comment.

It may be added, too, that you should also understand your banker.

To understand your banker you should know him. You should have a good, general understanding of your rights and his. He owes a certain duty to you as much as you owe a duty to him.

Your banker, to a certain extent, is the custodian of your credit. And he is in duty bound to guard your credit if you do your part.

If you are a depositor in his bank it is his duty to pay all proper checks drawn against your account—if you have adequate funds to meet them. If he fails to do this, either through error or malice, he must answer to you. When a man's check is dishonored, his credit and standing as a business man will suffer. He has adequate grounds for seeking damages from the bank when his check is dishonored without cause.

A grocer bought some produce from a man and gave him a check in payment. It so happened that the banker—this bank was in a small town—was a business competitor of the grocer. He was displeased at this man for selling the produce to the grocer instead of selling it to him. When the check was presented, payment was refused. The banker said the grocer had not that amount of money on deposit.

The grocer, whose pass book showed a deposit of about $300 demanded an explanation. He was informed he had a note coming due at the bank the following week and that this amount checked against his deposit would leave him nothing in the bank.

The grocer sued for damages. And the court held that the banker had no right to hold the grocer's deposit to insure payment of the note, the note not being due at that time.

This is an extreme case. Few bankers would make such a mistake. Yet it shows that retailers owe it to themselves to see that they get their full rights from the man with whom they deposit money.

Sometimes when a check is presented the bank does not stop to verify the depositor's account and pays the check under the

belief that an adequate sum is on deposit. After the check is paid it may be found that the depositor had in the bank only a portion of the sum required. Banks have been known to try to recover the money from the person to whom the check was paid. Uniformly they have failed to do this. The payment was made through mistake and the bank has been forced to pay the penalty for the mistake. If it cannot collect the amount from the depositor it has lost that much.

It is a common occurrence for checks to be presented drawn against a running account which is not at that moment large enough to take care of the checks. The bank will not make partial payment inasmuch as it must have the check as a voucher. Many times, therefore, the bank pays the entire amount of such checks and charges the difference against the depositor's account. This is what is known as an "overdraft." It is, in effect, advancing money to the depositor.

Allowing a customer to overdraw is, strictly speaking, against the rules of any bank. Some banks are more strict in this respect than others. Allowing an overdraft may be due to some mistake in the bank. But usually it is evidence that the depositor's credit is good with his bank, and that the banker allows him this temporary accommodation to protect that credit. It goes without saying that the overdraft privilege, if abused, will not long be extended to anybody.

If you draw a check and send it to a person and then for any reason wish to stop payment on it you immediately instruct your bank not to pay it when presented. The bank is obliged to follow your wishes in this matter. If it pays the check in such a case it must stand the loss.

If your name is forged to a check and the bank pays it the bank is liable. It is not your fault. The bank's duty is to be sure that the signature is genuine and that the check is good.

If a check is made payable to John Smith or bearer it is not the bank's fault if the wrong person gets the money. In this case the loss is yours.

In general, it may be said that a bank loses if it pays money on a check to any party who is not entitled to receive it.

It will be easily seen that the banker has a heavy responsibility. He must be right. He cannot afford to be wrong.

It is no wonder then, under these circumstances, that the banker loves the man who always is strictly businesslike in his checks and other papers.

While discussing the subject of checks it is appropriate to warn you against the dangers of endorsing checks or drafts in blank.

Thousands of checks and drafts are endorsed in this way every day. It is extremely risky.

A merchant one day received a draft for $50. He wanted to make a similar payment to his jobber. So, instead of buying a new draft he merely wrote his name on the back of this draft and mailed it. The draft fell into improper hands and was cashed. The merchant lost his money. What he should have done was to have written on the back of the draft, "Pay to the order of ....," and then signed his name. Then when it fell into improper hands the party could not have cashed it unless he could in some manner have gained the endorsement of the man to whom the draft was made over.

You may send a messenger to the bank to make deposits, included in which are checks with merely your name endorsed on the back. Under these circumstances the messenger, if he wanted to be dishonest, could merely write his name under yours and gain payment of the money. This would be your loss.

When you send checks to the bank have them endorsed on the back payable to the bank and sign your name. Don't endorse checks or drafts in blank.

Here is another important "don't" in money matters:

Don't take anybody's word where money is concerned. Always have it in writing. You may be having a transaction with a member of your own family regarding some business matter. Have it down in black and white. If you pay anybody money, no matter who he is, insist on having a receipt. This is not saying the average person is dishonest. The exact opposite is the case. It is only the occasional and exceptional person who is crooked. But people forget. Or they may suddenly die. A great number of contingencies may arise which would make you the loser, did you not have some written data regarding the transaction.

Is it anything regarding money. Have it written! Don't take anybody's word.

CHAPTER VI.

Fire Insurance

"I BURNED OUT on the night of January 26th. My fire insurance policy expired on January 20th. So the fire caused a total loss."

What a tragedy!

Yet this merchant's experience, told about in the above extract from a letter he wrote, has been duplicated in this country during the last year more times than you would be ready to believe.

Carry ample fire insurance! This is an admonition as important as any in this book.

Fire insurance is a credit essential. And properly so. If a merchant thinks so little of his belongings and the fruits of his years of labor as to fail to protect them through insurance, how can he expect his creditors to protect him by loaning him money? (Credit, when you come to analyze it, is really equivalent to loaning money.)

There are many reasons why a man must insure his merchandise and other property. But a purely selfish reason is enough, if none other is considered. He cannot afford to jeopardize the interests of himself and family or incur a chance of losing the savings which his business represents.

Some retailers object to fire insurance on the score of high rates. But you surely would not permit high rates to keep you from taking out life insurance. No self-respecting man would think of leaving his family without protection after his death. Yet, a disastrous fire might bring them to practically the same degree of want.

All these things being so, don't you think you are justified in spending a few dollars to protect thousands of dollars?

How shall a merchant proceed when he wants to insure his store and stock?

First, he should assure himself of the financial responsibility of the company. Is the company solid? Could it weather a storm of claims like those incurred by the San Francisco earthquake and fire?

Keep away from companies that are not well known. Ask your banker if you don't care to trust to your own judgment. He will know.

Having selected the company what kind of policy shall you take out? Don't leave this entirely to the judgment of your insurance agent. Have something to say about it yourself.

In various states certain standard fire insurance policies are provided by law. Where there is no state law on the subject the standard fire insurance policy of the state of New York is used by the most prominent companies. Here is something you want to watch:

If your state has no law describing a certain standard fire insurance policy, be sure to insist that the policy be written in accordance with the New York form. Sometimes when no prescribed form is provided in a state some companies issue what they call a "standard form." This doesn't mean anything in particular. The inference may be that it refers to the New York form. Maybe it will and maybe it will not. In such a case you run the risk of having unjust provisions inserted in the policy. In other words, the form of policy is prescribed by the underwriters themselves rather than by the state.

After the policy is written, accept it only subject to approval. No reputable company is going to try to hold you for unearned premiums. Study the policy over in every detail, and be sure that you understand it. If it does not suit you, send it back for adjustment. If this is not done to your satisfaction, give up the policy and try some other agent.

Too many merchants go into insurance blindly.

"Oh, write me up for five or six thousand dollars," is what the average man is likely to say to his agent. The policy comes.

"How much?" the merchant asks. He pays the premium, maybe given a superficial glance over the policy to see that the name is right and the amount is right and then puts it into a safe and forgets about it. This is not the way to take out fire insurance.

Possibly the policy contains something the merchant would not agree to for a minute if he understood it or knew it was there.

Suppose a policy contains an 80 per cent co-insurance clause. This is all right if you understand it and provide for it. Otherwise it likely will bring you to grief. Many a policy contains this clause and the merchant knows nothing about it until it comes time to adjust a loss. Then he can't understand why the company will not pay him as much money as he insured for.

What is the 80 per cent co-insurance clause and what does it mean?

Well, you have a stock of say $10,000 and insure it for $6,000. Your policy contains an 80 per cent co-insurance clause. Your store burns and the damage done by the fire amounts to at least $6,000—the face value of your policy.

How much money do you get—$6,000?

Not a bit of it.

You get just $4,500.

Quite an awakening, isn't it?

Now, why is this?

Let's get this thing straight right here. It is one of the snags many merchants strike in obtaining insurance. The lack of understanding of this clause has had serious consequences. For it is a serious thing to get a considerable sum less than you expected.

The way this clause works out, the insurance company is not liable for a greater proportion of the loss than the sum insured bears to 80 per cent of the cash value of the property insured. In other words, the owner agrees to keep his property insured for 80 per cent of its value, and if he fails to do this he becomes a co-insurer for the balance of the value not so covered.

This is the technical way the companies explain co-insurance. And here, reduced to plain English, is how the thing works:

The $6,000 policy on the $10,000 stock mentioned above brings only $4,500 when the store is damaged to the extent of $6,000. The reason for this is that the policy contained an 80 per cent co-insurance clause. Under the provisions of this clause, the policy, to be good for all the damage, should have been for 80 per cent of the cash value, or $8,000. In this instance, the full amount of the damage —$6,000 or any other sum up to $8,000—would have been paid.

Here are the figures:

Cash value of stock, $10,000.

80 per cent of this cash value is $8,000.

The amount insured ($6,000) is three-fourths of 80 per cent of the cash value ($8,000) and can only be collected in that proportion. The company is obligated, then, to pay only three-fourths of the amount insured.

Three-fourths of $6,000 is $4,500.

$4,500, therefore, is the amount collectable under the policy—that is, if the property is damaged to the extent of $6,000. Smaller claims for damages, of course, would be settled on the same basis.

If at least 80 per cent of the cash value had been insured for, no such proportion would have held, and the company would have been liable for the whole amount of the loss.

Do you want some more examples?

Well, suppose you have a $20,000 stock and insure it for $10,000, the policy containing an 80 per cent clause.

80 per cent of $20,000 is $16,000.

$10,000 is five-eighths of $16,000, thus making the company liable for five-eighths of the amount insured.

Amount collectable, five-eighths of $10,000, or $6,250.

Or, you put a $5,000 policy on a $15,000 stock.

80 per cent of $15,000 is $12,000.

$5,000 is five-twelfths of $12,000.

Amount collectable, five-twelfths of $5,000, or $2,083.

If your stock is worth $3,000 and you insure it for $1,200 with an 80 per cent clause, the returns would look like this:

80 per cent of $3,000 is $2,400.

$1,200 is one-half of $2,400.

Amount collectable, one-half of $1,200, or $600.

A policy of $1,000 on a $5,000 stock would bring, under this clause, only $250.

80 per cent of $5,000 is $4,000.

$1,000 is one-fourth of $4,000.

Amount collectable, one-fourth of $1,000, or $250.

The presence of a co-insurance clause does not in any way limit the amount of insurance you can take out. It merely provides that you must insure your property to a certain percentage of its value. This may operate to cause you to insure for a larger amount. Under its operation, however, you YOURSELF carry part of your own insurance—when you insure for less than 80 per cent.

The philosophy of the thing seems to be about this: The insurance companies apparently want their risks divided up as much as possible. They are willing to make a little concession in rates with the insured if he will agree to carry at least 80 per cent of the total cash value of the property insured. It is likely to induce the insured to carry more insurance. Also he is likely to split it up among various companies, thus dividing the burden of a possible loss.

The above examples illustrate the workings of the 80 per cent clause in the case of **partial losses** only.

If the loss is **total**, what then?

IN CASE OF A TOTAL LOSS, THE COMPANY IS LIABLE FOR THE WHOLE AMOUNT THE POLICY CALLS FOR, WITHOUT REGARD TO ANY CO-INSURANCE CLAUSE.

If the policy contains an 80 per cent or any other percentage co-insurance clause be sure you absolutely know where you stand before you accept the policy. Make your agent show you.

Know your policy. Don't take any agent's word for any part of it. Be as much of an expert as he is—so far as your own policy is concerned. For that matter, the average local insurance agent is not any too well acquainted with his work. Probably not more than one in ten has an adequate understanding of co-insurance.

Is the 80 per cent co-insurance clause a good or bad thing?

It has its good points if it is understood and provided for. It induces a merchant to insure for more nearly the cash value of his goods.

It is bad, very bad, when not understood, or when it is in the policy without the merchant knowing about it.

Policies vary in different states as explained above. In some places the 80 per cent clause is forced on a person. Again, he has it or not just as he likes.

But the main point is to KNOW if it is in the policy—and if it is there to insure up to the maximum required. Then you will be safe. A merchant should know just what insurance he is getting. If he understands the working of the co-insurance clause and has his policies call for less than the maximum required value he then is sharing the risk with the insurance companies. He pays out less money for premiums and takes his chances in case of a fire. There may be advantages to this sort of procedure under some circumstances. It is a matter for the individual to decide.

The moral of the whole thing is this: Have the highest class fire insurance in the best companies. Read your policies on their arrival and see that they are all right. Read them at various other times to see that you are fully in line with their directions and that all your insurance and everything relating to it is strictly up to date. See that your policies are complete. Then strictly obey their provisions.

Watch your policies also to see that they contain the various special permits that are so essential if you are to be insured properly. Policies have been known to fail to include so important a thing as even permitting the taking out of additional insurance. Merchants have applied for further protection on their goods and have found they could not get it without nullifying the policies they already have.

There are even fire insurance agents who do not know that in every ordinary fire insurance policy it is provided that the policy shall be void if the insured shall attain further insurance on the property covered by that policy. The usual plan is to get around this by adding a rider to the policy which permits the policyholder to attain additional insurance.

Even the very highest grade of insurance policies are likely to be valueless to the merchant unless he is well acquainted with all the provisions.

For example, fire insurance policies often require that the merchant shall take proper inventory of his stock at least once a year and shall keep the right kind of books, giving a faithful account of his business at all times. The policy often provides that this inventory and that these books shall be safeguarded, and obliges the insurer in case of a loss of more than 5 per cent to produce all such books and inventory. It even is provided sometimes that

failure to produce the books and inventory may make the policy void.

This provision has been upheld again and again by the courts.

Then, you may be contemplating some improvement or addition to your store building. It may be that such an addition or improvement must require a permit from your fire insurance company. If you do not obtain such a permit it may make void all your policies and you may not know anything about this until after the fire.

Keep in close touch with your policies. Know absolutely what they contain. Refresh your mind by reading them occasionally. Thus you will keep lined up with their provisions and can be sure at all times that you are right.

AFTER THE FIRE.

Suppose a fire visits your store and damages your stock. How shall you go about it to collect your insurance?

The first thing is to protect the goods just as if you had no insurance at all. Empty all the water out of the pails and similar articles. Clean things up as promptly and effectively as possible. Separate the undamaged goods from the damaged. In fact, protect your stock just as if you were not going to get a cent in settlement for the loss.

Some merchants seem to think they should not touch anything until the adjusters arrive. This is a mistake. It often is provided in a policy that after immediate notice is given the company the insurer is then to take steps to save the property as much as possible. Segregate the damaged goods and make adequate inventory of the same.

Meanwhile, wire all the companies of the loss—that is, if the agents do not live in your home town. When the adjusters arrive and see you have protected your property carefully in this manner you likely will get a much better settlement.

In fixing things with the adjusters do not get the impression that all you have to do is demand your money. The exact opposite is the case. The burden of proof is on you. You have to show the companies you actually have lost something in order to get its equivalent in money.

Right here is where the value of inventory comes in. If you have been keeping the right kind of books there ought to be little difficulty in proving your claim. Then you will get your check promptly and will not have to undergo the annoyance and loss of business caused by keeping your store closed for an indefinite period while the adjustment is proceeding. If you have no records of purchases and sales, it can easily be seen that a settlement will be only guess work. And the chances are about one hundred to one that you will get the worst of the guess.

Here is another thing to remember: If the fire is not serious and damages only a portion of your stock it is not at all necessary that you close your store while awaiting the adjustment. Pick out all the damaged goods and put them in one part of the store. Then proceed with your business as usual. It is only advisable to close the store when the damage is heavy, or such that business cannot be carried on.

When the loss is large, the matter of adjusting it is an intricate proceeding that should call for as much expert work on your side as on the side of the companies. This is not saying that insurance adjusters are diabolical. They are not. But you will have to remember that they are working for the company and not for you. Consequently, you will have to show them. When there is a difference of several thousand dollars between you and the company you cannot blame the adjusters for working for it. Anybody would do the same. You would yourself if you were an adjuster.

In a case of this kind it generally is advisable to call upon an insurance expert to represent you. If you do not know of a suitable expert, your jobber can aid you.

It is more than likely that the money you pay out to this expert will be returned to you manyfold in the superior adjustment you would get with his assistance.

An instance of the value of having an expert adjuster is afforded by a recent fire. The merchant was insured for $100,000. The fire and firemen together managed to wreck the store. It was practically a total loss. The adjusters came promptly and negotiations for a settlement were pushed along.

The last inventory was dug out of the fireproof safe and put before the adjusters. This inventory was a thorough one and listed the goods at their actual value. This was in many cases considerably

less than cost. The inventory was not at all inflated. On the contrary it took into consideration a marked depreciation in value. BUT THIS DEPRECIATION DID NOT SHOW ON THE BOOKS. Consequently, the adjusters coolly proposed that the value of the stock as shown by the inventory should be pulled down 40 per cent.

This was where the negotiations split. The merchant saw then —although it was too late—that had he, when he took his inventory, set the goods down at cost and made a flat reduction of a certain percentage for depreciation and had shown this reduction plainly on the inventory and on the books nothing more would have been said.

Thus, unfortunate bookkeeping caused a great amount of woe.

The negotiations hung fire for several weeks. The merchant naturally would not consent to the 40 per cent reduction because he knew it was unjust. But the adjusters insisted upon it because the merchant could not SHOW THEM it was unjust.

In this extremity the merchant turned to his tried and true friend the jobber. Your jobber can be a very present help in time of trouble, as the Bible says, if you will allow him. The jobber recommended the employment of an expert insurance man. He was engaged. He charged an expert price, but in a very short time had arranged a settlement with the company for the full face of the policy, the company taking the salvage.

As things worked out, the settlement was satisfactory. But it took seven weeks to get it. Seven weeks is a long time to keep a store closed. The adjustment should have been made in one week or less had the expert been engaged at the outset.

It sometimes happens that even with an expert representing you, knotty questions will arise which render settlement seemingly impossible. If no agreement can be reached it is customary to leave the thing to a board of arbitration. The company selects one man and the insured another. These two select the third. And the findings of the three are final.

There seldom is any difficulty about collection of claims when the loss has been passed upon by the adjuster. The legal limit in which insurance claims must be paid is 60 days. If, therefore, the company pays in advance of this time it is entitled to a cash discount —generally about 1 per cent.

A hardware store, the inventory of which showed a valuation of $5,800, burned. Everything was kept up in good businesslike shape and the adjustment was prompt. Here is a statement of the settlement:

Total inventory January 1		$5,800.00
Less horse, dray, furniture and fixtures		800.00
Stock only		$5,000.00
Add subsequent both cash and on time		6.000.00
Amount of stock to account for		$11.000.00
Cash and credit sales	$8,000.00	
Less 33⅓ per cent profit on cost	2,000.00	
		6,000.00
Stock on hand day of fire		$5,000.00
Less depreciation—10 per cent		500.00
		$4,500.00
Salvage removed to another building	$2,000.00	
Less depreciation—10 per cent	200.00	
		1,800.00
		$2,700.00
Less 2 per cent for cash		54.00
		$2,646.00
Add freight, 5 per cent		135.00
Add removal damage		200.00
Add labor protecting salvage		19.00
Total loss and damage		$3,000.00
Wisconsin Hardware Mutual pays	$1,000.00	
Glens Falls pays	1,000.00	
Continental pays	1,000.00	
		3,000.00
Horse, dray, furniture and fixtures		$ 800.00
Less horse and dray		300.00
Furniture and fixtures		$ 500.00
Depreciation 25 per cent		125.00
		$ 375.00
Salvage	$ 250.00	
Depreciation 25 per cent	62.50	
		187.50
Add damages to salvage		12.50
		$ 200.00

A statement such as this tells the whole story.

There is another interesting side to the fire adjustment proposition. When the adjusters arrive in the town they are likely to do some quiet investigating without making their presence known to you and before beginning their real work.

They find out whether the fire was of an accidental origin or not. They in a quiet way ascertain the standing of the insured in the community—his character and his family connections.

As soon as they convince themselves the fire was on the square and was really an accident they generally will be quick to do the right thing, when you can prove your loss.

In fact, adjusters like to pay losses in full—pay them as promptly as possible. This is so because they get a lot of good advertising out of every big fire. A fire where much property is involved is sure to make other merchants see the necessity of carrying insurance. The company that can make the better showing in the way of cheerful and liberal settlements is sure to get more business. Moreover, when a merchant is treated liberally in an adjustment he becomes a sworn friend of the company holding his policies. Ever after he is sure to boost their methods and assist them in getting new business.

There must be fires, you know, or there would be no fire insurance companies. If nobody ever died where would the life insurance companies be?

Don't think the average insurance company regards a fire as a misfortune. Every fire, if the adjustment is satisfactorily made, stimulates fire insurance.

Be prepared at all times for fire. Have your records in the right kind of order. If you haven't proof before the fire, how are you going to get it after the fire?

And all this brings us back to that much reiterated but highly important principle: KNOW YOUR STORE!

PRECAUTIONS AGAINST FIRE.

Some merchants hesitate about carrying fire insurance because of the high rates. We know of one firm that reduced its insurance rate from $6.00 to $1.65 within seven months by putting its premises

in a good condition for protection against fire. Others have secured corresponding reductions. Anybody can do it.

Arrange things so a fire is less likely to break out in your store. There is much more danger of a fire in a store than in a dwelling. For this reason precaution should be all the more stringent. Be prepared for fire. Give the matter a little thought now and then.

Suppose a small blaze would break out in the back part of your store. What would you do to extinguish it? And where would you be likely to find the fire?

Fire prevention is largely a matter of cleanliness and carefulness.

Here are ten rules to help prevent store fires:

In building a new store or addition to a store, use concrete or brick. These are practically as cheap as wood, look better, last longer and are safe.

Install small fire extinguishers in convenient locations, or keep sufficient pails filled with water within reach.

Have a garden hose handy for emergencies. Keep the store clean—free from packing material! When cases are unpacked, burn the straw or excelsior in some spot away from the building. Store cases in a shed or in the basement. Cases and barrels often can be sold readily and this affords another source of revenue.

Keep the passages in the store clear.

Store combustibles such as gasoline, kerosene, etc., in a small shed by themselves—away from the building. By so doing you remove an ever-present danger. Better still—use a tank system.

Induce the merchants nearby to take the precautions that you do.

Use your influence toward making the local fire department more efficient and stimulate public interest in the need of more and adequate and up-to-date apparatus.

Do not smoke in the store. This is not only for safety's sake, but many women are prejudiced against smoking at any time and you must cater to the whims of women. Discourage smoking by anyone in the store.

Careful observation of these rules should prove of double value, by reducing your fire insurance rate, and lessening the danger of fire.

Remember, you owe a duty to others as well as yourself in this matter of fire prevention. In France they hold a property owner liable if his carelessness has caused damage to the property of his neighbor. This perhaps is a little far-fetched, but—well, fire is a serious thing.

What kind of a fire company is there in your town? Is the water pressure good?

Each of the above precautions may seem petty.

But it was only a boy's arm, thrust into the dyke, that saved all Holland from destruction.

CHAPTER VII.

Credit or Cash?

WHY are we selling our goods for credit?

This question came up for discussion one day at a meeting of the department heads of a large general store.

Well, why were they?

The unanimous verdict was that the system was being carried on merely as a part of the store service—part of the plan to make buying at that store easy and convenient.

It further was decided that the credit system in the retail store had its inception in the old days when people on the farms had not, at certain periods, any money at all. Credit in those days was a tremendous service to the farmer. For it often was a case of somebody giving him credit or his family going without many of life's necessities.

But times have changed in that locality. The farmers are getting rich. They have for several years past been loaning out their money at 8 per cent. Then they turned right around and bought goods from this store on six, or eight or twelve months' time. Thus they forced the merchant often to borrow money to pay for the goods they bought on time. This amounted in effect to the merchant paying interest on the farmer's money—or borrowing money from the farmer to buy goods to sell to the farmer on time without interest.

Of course, nobody could blame the farmer for taking advantage of such a condition. Almost anybody would. The farmer's trade was sought after. He knew he could get the credit. And the merchant knew that the farmer would pay—when he got ready.

In discussing the matter a little more fully the managers then called to mind the fact that when the store offered goods at reduced prices for cash the farmer had no difficulty at all in producing the cash. It was not a matter of the store's customers not having

money. They merely took advantage of the easy credit and used their money to make more money, obliging the merchant to wait for his share.

All these facts were forced home so strongly that it was decided then and there to place the big store on an absolutely water tight cash basis. The proprietor announced with great earnestness that not even his wife or his daughter could get five cents' worth of goods at that store thereafter without putting down the real money for it.

It was not without some misgivings that the new deal was put into effect, but the owner was confident of his ability to push it through. And he did.

The system was started the first day of January with a general sale. Prices of merchandise in every department were reduced, and business was good that day. It has been good at that store ever since.

They announced the change about a month before it went into effect. This gave them time to get the people well informed of what was going to happen.

And, according to the head of the firm, here is what really did happen:

They sold more goods than ever before.

They paid cash for all produce.

They took advantage of every possible discount in buying their goods.

They reduced prices on an average of 10 per cent.

They are making more net profits than at any time for the thirty years they have been in business.

But, of course, there are two sides to this credit and cash proposition. If we were starting a retail store, no matter what kind, we are inclined to think we would have it on a cash basis from the very beginning. But, if we had been conducting a successful retail store on the credit basis for a period of years we should canvass the situation from every angle before making a change. Probably we should decide in favor of the cash system. That would depend on local conditions and such individual problems as might arise.

It is wrong to make the broad assertion that all retail stores should be on the cash basis. Some stores should and some should

not. The thing depends on the kind of credit that is being extended, the ability to make prompt collections, and many other conditions.

One of our credit men has talked with merchants in prosperous farming communities who, despite a big trade, were in really serious straits, on account of the large amount of money they had on their books. In some of these it is the custom to settle with the merchant at long intervals ranging all the way from two or three months up to a year. A large percentage of these accounts are good. The merchant has no fear of serious loss. But he ought not to be obliged to wait so long for payment for the things he has sold.

"If I could only collect what is coming to me I would be on easy street," is a much heard remark.

"Why don't you collect it then?" may be asked.

"If I did, these people would never buy from me again," is the usual reply.

In such a situation with apparently selfish customers on the one hand and timid merchants on the other, there is little question but that a cash basis firmly adhered to and backed up by the unquestionable benefits that a cash store is able to give, would show the merchant a way out of his troubles.

But when a store's charge accounts are on a real business basis, when settlement every thirty or sixty days is rigidly insisted upon—a merchant thus situated ought to think twice before adopting the cash system.

Every man who sells goods knows it is true that a credit customer is more likely to concentrate his purchases than is one who pays cash. It also is a common experience that good credit customers are likely to buy more freely than cash buyers. There is a difference, someway, in paying over the good money when the thing is bought and sending out a check at the end of the month to cover the bill.

People paying this way do not watch the pennies as closely as those who buy on the cash basis.

Can you gain enough advantage from these phases of the credit business to offset disadvantages such as being obliged to borrow to discount your bills, extreme deliberation on the part of some in paying and a default on the part of others? This is a question that must be decided by individual and local conditions.

Every merchant should choose either a credit or a cash basis not because he is forced to, but because deliberation decides such is best for the advancement of his business.

Careful study should be given before any decision is made.

However, it is true that in general the cash basis has a shade the better side of the argument—at least a shade.

The store mentioned at the beginning of this chapter had no difficulty in changing from credit to cash. The community was prosperous. People had money. And they were thrifty enough to see the advantage of buying for cash because they could buy for less money.

But how about the less prosperous community?

Well, generally speaking, the fact that people may be mostly wage earners, living sort of a hand to mouth existence, and that money is not plentiful—these conditions, far from boosting the credit end of the question, form unanswerable arguments why merchants should sell for cash.

If people can get money to pay their bills at intervals of two weeks or a month they certainly can get money to pay for the things as they get them.

The case of a town of 4,000 inhabitants comes to mind as we write. This town is in the center of a fairly flourishing farm community. About 40 per cent of the people in the town make their living by mining coal. Now, coal mining cannot be said to be a stable occupation. A miner's income is more or less—generally less—uncertain.

For years the merchants of this town had been conducting business on a credit basis. Some of them dispensed credit so lavishly that they went broke. It is easy to sell goods when you don't ask people to pay.

At intervals some merchant in this town would ruefully contemplate the two or three thousand dollars of uncollectable accounts on his books, sigh as he thought of his unpaid bills or the discounts he had lost, and then his face would grow firm with a grim resolution. He would go after some delinquent creditors without mercy, refuse some of them further credit, and perhaps rake in enough money to tide him over a crisis.

In course of time, a few people were absolutely refused credit by every retailer. This was not because the merchants got together,

but because the delinquents gradually had put every merchant in town in the hole for varying amounts. Every town has a few well known and confirmed deadbeats.

Each new merchant that would open up in the town was sure to get as his first customers these slow payers. They would open up accounts and keep them—for a while.

One day there came a change.

The local commercial club was prodded into life by a couple of live fellows and the question of credit taken up.

The outcome was that absolutely every merchant in the town, no matter what he sold, signed an agreement to sell for cash and for cash only after a certain date.

The people jumped as if a meteor had descended among them. Many prophesied the new system wouldn't last a month. This was a year and a half ago. The system is working now better than ever.

The people there are paying cash simply because they cannot get goods on credit.

They are buying goods for less money than they did before simply because the merchant can profitably sell them for less.

And—this is an interesting side of the matter—the people themselves in that town are more prosperous than ever before. The unthrifty were taught habits of thrift. The dishonest were taught to be honest. The first of the month there no longer is contemplated with apprehension.

The change was a good thing for everybody concerned.

This is another example of the cash basis being good for a community and being capable of application in that community.

Would it be the same in your town?

You and your fellow merchants must say.

If you decide you want to put your store on a cash basis, do not be deterred by any fear that you cannot force the deal through.

Any number of merchants have made the change and have found groundless their fears that a loss of business would result.

Some of these noticed a temporary slump in sales. But more insisted that the change increased their business from the first.

One big Iowa store declared its business was doubled in the first year after adopting the cash basis.

A study of the experiences of the many merchants who have changed from credit to cash leads one to form the conclusion that a retailer can do as he wishes about the matter without fear of losing business.

The question is whether he wants to change or not.

It is a mistake to consider the ability of the people to pay cash as one of the conditions for making the change. If, as said above, people can pay for goods they buy on credit, they certainly can pay for what they buy when cash is required.

Anyway, you are not running a charitable institution. You are in business to SELL goods—not to give them away.

CHANGING TO THE CASH BASIS.

Your main task in abolishing charge accounts is to make your customers understand your position.

No apologies are necessary and your reasons for making the change are absolutely sound. If you can get the real truth of the thing before your customers—make them see what you are doing and why you are doing it you can go on a cash basis with surprisingly few complications.

A study of a few cases where merchants have lost trade in adopting the cash plan has shown that the change was made without an adequate preliminary campaign of education. The people didn't understand. Some of them took it as a personal affront.

It is well to make the first announcement thirty, or even sixty, days in advance.

If you have a Store Paper you can gradually lead up to a cash basis by having for several months a series of articles such as we supply you without charge in our Store Paper filler matter.

Take some space in your local newspaper, and freely use your Store Paper in spreading the news. Tell in a straightforward, dignified way what you are going to do and why.

Tell it, for instance, in an article something like this:

> On and after February 1 no more merchandise will be sold on credit in this store.
>
> We expect to sell fully as much as before—even more. But all the sales will be for cash.

We are going to make the change in your interest as well as our own.

What you are interested in is the fact that under the new deal we are going to sell you things for LESS MONEY.

You see, when we get cash we can pay cash. This means a saving in our buying, and we shall pass the benefits along to you. We shall not, of course, get as much for our goods under the cash basis. But we shall get the money when the sale is made, and can afford to take less than if we had to wait thirty, sixty or ninety days for our money.

Why do we think this way? Why is it not just as good for a merchant to get his money at the end of the month as it is to get it day by day?

This is the reason: Every store that gives its customers lowest prices sells its goods on the closest margin. If we give you the benefit of these discounts we will have to get the discounts first. The way to get goods so they can be sold at right prices is to pay cash for them or at least discount the bills, which is the same as cash. When a merchant has to borrow money from his bank to discount his bills the banker gets a portion of the benefit in the form of interest—a benefit that under ordinary circumstances should go to the customer.

You will not be interested in a long drawn statement of the whys and wherefores of the cash system benefits. It is enough to say that were business in general conducted substantially on a cash basis prices would be lower.

This is why we are going to adopt the cash system.

No one need feel any sense of injury at being asked to pay cash. The credit of most of our customers is good. It isn't a question of getting the money that worries us. It's merely a matter of getting lined up with the new way of doing things—the way that gets cash, pays cash and gives better values for less money.

You don't have to take our word for our ability to save you money as a result of the new deal. Come in and see. All we ask is a chance to show you.

To make sure that all your customers know what is going on you ought to send out to each a friendly letter signed by yourself, breaking the news and telling the reasons for the change. The letter can be somewhat after the style of the announcement suggested above but can be expressed in a more personal way—something like this, say:

Dear Sir:

Here is the most important announcement—important to both of us—ever made by this store.

On and after February 1 we are going to sell goods for cash only. No more charge accounts—not even so desirable a one as yours.

What's the matter with us, anyway? Don't we want to sell goods?

We certainly do. And we certainly shall, because we are going to sell them for LESS MONEY.

Of course, you'd just as soon pay cash anyway. It makes no difference after all when a person pays for a thing. But when cash brings you lower prices you will prefer to pay cash.

And we can take the less money and gain more profit than we are gaining now. We can buy for less money as we always will have the cash to pay. We can discount our bills, dividing the benefit with you.

It's easy to see, then, that the cash basis is best for each of us.

Let's give it a trial, anyway.

To demonstrate what we can do under the cash system, we call your attention to the enclosed list of radical price reductions on items you have been buying for more. Just to show you our heart is in the right place, we will allow you the same benefit on your past purchases. That is to say, any customer settling his bills on or before February 15 will be given a discount of 5 per cent.

Of course it goes without saying that we are not making this change because we are afraid to trust our customers. We should get our money all right. That part would be easy enough. But this cash basis will be so good all around that we want to try it. Won't you help us?

Your truly, (Signed.)

The theme of your argument in telling your customers how the change will benefit them will be the lower prices you can charge when you get the cash. Accompany the announcement, therefore, with some concrete evidence of lower prices.

In connection with your printed statement name several well known items upon which you have reduced the price, making a comparison between the new prices and those you were obliged to charge under the credit basis.

In the letter enclose a circular naming some especially attractive prices that will make the new deal an interesting event.

The greater part of what you have to say on this topic can be told collectively—can be addressed to your customers as a whole. The same letter, generally speaking, will do for all. Yet, in some cases you will have to apply individual effort. Do this by writing personal letters or by personal conversation as may appear best. Understand your man. Then approach him in the light of that understanding, and your battle will be half won before you begin.

To make this change successfully you will have to use some backbone. It is not a thing for a weak person to undertake. You will be obliged to find some way of saying "NO" without offending

people. Even at that, some may be offended. Say "NO" anyway. You must, if necessity arises, absolutely refuse credit even to your best customer. If you are not firm, if you let the bars down a little here and there to a special one you are going to have trouble and plenty of it. Be firm, and the storm soon will pass.

In your letter and in your printed announcement do not go into very great detail. There are certain reasons why you feel justified in making the change. These are good and sufficient. Tell them. Then stay by what you have said.

If you can get other merchants of the town to go in with you, so much the better. This, in fact, is the only really practical way of adopting a cash basis without any difficulty. If there is not an association of merchants in your town, right now is a good time to form one.

After adopting the cash basis you, of course, will want to close up all your old accounts as quickly as possible. Insist on getting cash or notes within a reasonable time. Detailed methods of making collections are treated in the next chapter.

CHAPTER VIII.

Collecting the Money

IF you owe a man a penny, pay him. If a man owes you a penny, get it.

You doubtless are good at the first. Presumably you take a just pride in the prompt discharge of your obligations. But how about the second? Are you as efficient in getting what is coming to you?

The bad debt skeleton leers on 90 per cent of the retailers who do not sell for cash. This is not because the retail credit system is inherently wrong. It IS because the average merchant is not careful enough with his credits.

You hear a great deal about wholesale credits. This great division of modern merchandising has been developed almost to the proportions of an exact science. Wholesale houses are careful with their credits, thus reducing to a minimum losses in a credit way. And such losses, when they do occur, are more likely to be the result of the merchant's misfortune than his dishonesty. An effort is made to give credit in proportion to a merchant's ability. A certain line is established—a limit set. And this limit is as a general thing rigidly adhered to.

Why should not retail credits be based upon an adaptation of this plan?

It is almost inconceivable that so useful a thing as credit should be so abused by the customers of the average retail store. This abuse is due more to a lack of system on the part of the merchant than to carelessness on the part of the customer.

What is the secret of a successful credit business? Just this:

DO NOT LET THE PEOPLE BUY TOO MUCH.

When a retail credit business is done properly it is one of the most pleasant and resultful things in the store.

Every customer who does business with you should have a

credit limit. This limit should be determined by the financial ability of the person to pay. His character and reputation for promptness have their place in his credit standing. But after all, ability to pay is the main thing. If a person can pay $5 in a month, make that his limit. If he can pay $10, make it ten. And so on.

The only desirable way to get right on retail credits, to know you are right, to keep right is to have a card system, each card bearing all the information about a credit customer.

Do not allow any person to run a bill with you unless he gives certain information which will help you to form an adequate estimate of his paying ability. If you are in a small town this information will be easy to obtain. You probably know most of it as the result of your personal acquaintance with your customers. In a small town there is little reason for any merchant to lose credit from bad accounts if he handles his credits properly.

In a larger town it is necessary for the merchant to obtain from references and other sources the information he desires.

Find out where the customer works, how much salary he makes, and how many people are dependent upon that salary. Require a couple of references. Then be sure to call up those references and find out about the party. List him on your card system in accordance with the information gained. He may be rather slow and yet absolutely safe for credit. Or again he may be safe enough, but requires careful watching. Or he may not be worthy of credit. When you know these things you can act accordingly and have a pretty safe idea as to how you are going to come out with these accounts.

On the card system keep a record of the customer's promptness in settling his bills. If he keeps his accounts strictly up to date and clean, you probably would be willing to extend his limit when requested. Do not do so, however, until he has made proper application. This keeps a check on the account that you would not have otherwise, and impresses the customer with the conviction that credit is a precious possession that must be safeguarded both by the giver and the receiver.

Sometimes it is better to refuse to raise the credit limit even of some of your good paying customers. Your acquaintance with them might cause you to decide to let their trade go elsewhere.

You won't be likely to lose much trade, however, by refusing to raise credit limits. It ought not to be difficult for you to demon-

strate to almost any customer that raising his limit would not be for his best interest. The average person is honest. When he defaults, when he fails to pay, it is in most cases due to the fact that he got beyond his depths rather than crookedness. By keeping people well down to a safe limit, therefore, you are doing them a service as well as minimizing your chances for loss.

With unlimited credit at a store many an honest person is likely to buy recklessly. It is easy to buy things and have them charged. When prompt settlement is not insisted upon these easy going people doubtless will add still more to their bills. The amount may get beyond their ability to pay. They get discouraged and go to another store. Then the merchant loses trade as well as money.

You must have the money for the things you sell. It is the easiest thing in the world to go broke through failure to collect bills promptly. It is not difficult to sell goods on credit. Anybody can do that. But not everybody can collect.

Get the money for the things you sell!

The only absolutely sure method of doing this is to sell for cash. But credit will bring the money, too—credit that is properly dispensed and properly checked up.

RIGHT AND WRONG COLLECTION METHODS.

The successful collector is one who gets what is coming to him and yet keeps his customers.

Collecting money is like selling goods. It involves a knowledge of human nature and ability to select the methods that work best with individual debtors. In each account there is a personality that must be dealt with. What may work well with one might fail with another.

The greater number of people will pay, without being pressed. But there always are enough lagging behind to make a notable difference in profits.

The trouble that comes from dealing with this class of customers will be minimized by careful preliminary work in retail credits such as just described.

But no matter how carefully you pass upon your credit risks some are sure to be slow in settling. Misfortune may befall them. Any one of twenty things may cause the customer to fall behind. It

naturally follows, then, that the better you are acquainted with your debtors the more successful can be your collection methods.

A very important essential of the successful collector is firmness. Many a dealer will not press a customer because he is afraid of losing his trade. So he lets the bill get bigger and bigger until finally the customer leaves because the bill has got beyond him. This is a very weak position and a very useless one.

At the same time you must know the customer from whom you are trying to collect. What might answer with one will offend another. Be sure you do not start off wrong when you write a man or talk to him about his bill. Understand the circumstances as completely as possible before you do anything.

A grocer who insisted on collecting his bills on the 1st and 15th of each month noticed that one of his new customers was two weeks in arrears. So he wrote the customer reminding him very curtly that his account was running entirely too high and must be settled, as the policy of the store was that bills should be paid promptly on the first and fifteenth.

The bill was paid. A check came by return mail. But the grocer never sold that family five cents' worth of merchandise again.

The fact was that this customer's wife had been called away from home by the sickness of a relative. Her departure was sudden. The maid she left in charge of the house was not instructed to pay the grocery bill. A very natural omission.

Then the grocer made his mistake. He found out afterward that the customer's financial standing was even better than his own —that the customer was good for many, many times the amount of the bill and that he had a high position among business men. If he had investigated before writing the letter, of course he would not have written it. He not only could have collected his money in due course, but now would be selling more groceries.

This loss to the grocer seemed unjust in a way. He had asked for nothing more than was coming to him. He had given the family his goods and was entitled to his money. Probably the aggrieved customer would admit as much. At the same time the customer had a right to resent the unnecessarily sharp letter the merchant wrote. Anyway, he did resent it and this is what caused the grocer to lose.

You don't have to be apologetic about collecting your money.

It is yours. But you do need to know your customers and to deal with them in accordance with what you know. If you don't, you are likely to lose them.

Considering the credit proposition from this angle is calculated to make one a firm friend of a cash basis—which has no such unpleasant difficulties.

But this angle of the credit business can be handled as successfully as any other.

Courteous firmness has lost but few customers. And it certainly has collected much money. The main thing is to be right. The grocer spoken of above was wrong. This was an exceptional case that he might have learned the truth about had he taken the trouble to inquire. Or even if he had not known of the circumstances, he might still have written a letter which, while it might have offended, would not have caused the customer to withdraw his trade. But he preferred to be cocksure and dictatorial.

It pays a person to know what he is about before he starts anything. This is so in collecting as well as in a great many other important things in life.

The attitude of "money is coming to me and I am going to have it or make you legal trouble," is not part of the successful collector's qualifications.

How shall collections be made?

The first essential is sending out the statements absolutely on time. On the first day of each month every one of your customers should find in his mail a statement showing exactly how he stands with you. If you wait till the second, third, fourth, fifth or some other day before getting the statements to your customers they will not have so high an opinion of the importance of settling their bills.

If a statement is not delivered before the tenth of the month you have lost just that much time in collecting. If the customer receives it on the first and does not settle in ten or twelve days you can begin working the credit follow up letters outlined below. If, however, he does not get the bill until the middle of the month it is practically the first of next month before you can begin pressing him. Thus the bill is likely to grow to uncomfortable limits.

When you send out statements, this is your signal to your customers that paying up time has arrived. Your statement should be something more than a polite reminder to a customer that his ac-

count with you is due. It should mean "kindly settle this bill at once."

If prompt results do not follow, your next move is then to act in a way that will get the money and keep the customer, too.

In a small town where you know practically all your customers you can take the matter up with them as you meet them or by telephone. Or, in the case of some, letters would answer the purpose better.

If you are in a larger town you will have to depend largely on letters to jog up your debtors.

In all your collection work remember the man who persists in being "very sorry" and who does not regard his credit as valuable enough to safeguard zealously, is not a desirable charge customer.

Watch him. Or cut him off the list. Let him take his trade elsewhere if he wishes. You can afford to share such a risk with other merchants.

A merchant who did a $35,000 credit business in one year and lost only $150 in bad accounts says the best time to talk to a customer about settling is when the account is opened. Then is the time to make it plain that the terms of the account will be rigidly enforced. Arrange a limit and adhere to it.

There is the whole story of collecting.

In writing collection letters remember the debtor usually has a good reason for delaying remittance. At least it will seem to him a good reason. And your best plan will be to allow for this.

Don't beg for your money. Never use such expressions as "we have some extra bills to meet and therefore would appreciate a settlement," or "we need this money very badly," or "we are short of funds this month and so must ask you to pay."

The fact that you need money does not interest your customer in the least. That kind of story is nothing new to him. He probably needs money himself—otherwise, he most likely would pay the bill without being asked.

Such an appeal will injure you in the estimation of your customer. He will have less respect for, and confidence in, you after being informed a few times that you "need money."

Whether you do or do not need money has not the slightest bearing on your right to a settlement. You have sold your custo-

mer something—presumably at a fair price. This entitles you to payment and you should get it, no matter whether you have one dollar or a million.

Letters? Here are some that may help:

THE FIRST LETTER.

Dear Sir: May we call your attention to the enclosed statement of your account? This is somewhat past due, as you will see by the date.

By the way, whenever you think of some improvement we could make that would render our store service more satisfactory to you, will you be kind enough to tell us about it? We surely appreciate your trade and want to do all we can to please you.

Thanking you for a response at your early convenience, we are,

By............ Yours very truly, SMITH & CO.

This letter is courteous and yet firm. It expresses no regret over having to remind the customer of his delinquency. It does not apologize for asking for money that is rightfully due to the store.

Note the second paragraph. This is a tactful compliment to the customer. As he reads it he will almost get the impression that you are asking him to give his opinion about the store and are mentioning the money incidentally. In any event the letter is one that few would take offense at. The sensitive past due debtor generally will pay after being reminded of it in this manner. Or, if he can't pay, he will write or call upon you and give an explanation, telling the approximate date on which he expects to settle.

If this letter does not bring a response try a second one.

THE SECOND LETTER.

Dear Sir: Undoubtedly you have overlooked our other letter calling attention to your account. Accordingly we are again reminding you of it.

Our books show you owe us .... Can you tell us approximately when you will be able to pay this?

Will you not let us know within the next day or two just what we may expect?

Yours very truly,

This letter is somewhat sharper in tone. It is very courteous, but not in the least apologetic or explanatory. It informs the customer that he is indebted to the store in a certain sum and endeavors to get him to name a date upon which he will pay.

Note that in the concluding paragraph of the letter the debtor

is told, in effect, that you expect to hear from him either with a settlement or an explanation within the next couple of days.

This letter will bring responses in a great majority of cases. Now, you have disposed of all your highly sensitive people. You can deal with the remaining debtors on the list in a more straight from the shoulder manner. You are right in assuming, if neither money nor explanation is forthcoming after letter No. 2, that the person needs poking up in quite a sharp manner. Even at that, his silence should not be taken to indicate that he does not intend to pay. A thick hide rather than a dishonest nature may be the case. Assume, therefore, that you are going to get the money within a short time and write him somewhat as follows:

THE THIRD LETTER.

Dear Sir: We are considerably surprised and just a little hurt that you have not acknowledged either of our previous letters regarding your indebtedness to us.

Of course, you have some good reason for not paying this money—a reason which, from your standpoint, may seem sufficient. But you have not told us anything about it. Won't you take us into your confidence RIGHT NOW?

We assure you we want to show you every consideration. Yet, it must be plainly apparent to you that your seeming neglect of this account will have a tendency to hurt your credit standing in this town.

Come in and let's talk the matter over. Or write us. You know our terms. The only condition under which we can extend credit is to have prompt settlement. We have done our part. When are YOU going to do yours?

Very truly yours,

This letter is firmer than the others. Yet it assumes that the customer really means to pay. It is, however, an outspoken demand for an immediate settlement—or at least an explanation.

Any person who makes no response after receiving this letter should be gone after hard.

Making allowance for local conditions and your acquaintance with the customer, the fourth letter should be written something after this fashion:

THE FOURTH LETTER.

Dear Sir: We have written three letters regarding what you owe us, but you have not replied. The letters haven't come back to us and so we are assuming you got them.

What is the matter? Surely the account is correct or you would have told

us so before this. And don't you think a person to whom you owe money is entitled to at least an explanation when the money is not forthcoming?

We think we have treated you fairly in this matter. You have had our goods at the lowest prices. You have enjoyed the advantages of this store on an equality with everybody else. Must we assume, therefore, that you are not going to carry out your part of the agreement you made when you opened your account with us?

For your own sake as well as for ours you surely ought to adjust this matter right now. A person's credit is one of the most valuable things he has. We should regret it exceedingly if we should be forced to take steps in this matter that would injure your credit standing. We would feel better about the thing if you had acknowledged some of our letters. It certainly would help for you to tell us when you would attempt to pay.

We have tried all along to do right by you and shall continue. In fact we believe you will decide to make some adjustment of your account at once. If you do not, we shall have to take some other steps which will not be pleasant for either of us.

May we be favored by an immediate response to this letter? We shall leave the matter open until next Wednesday, with the confident expectation that we shall hear from you by that time.

Yours very truly,

If even a letter like this does not wake up your delinquent, you have done all you can in a friendly way. It is now your duty to go after the gentleman with such other methods as you may have at hand. It is advisable to write him one more letter, sharp, curt and to the point something like this:

THE FIFTH LETTER.

Dear Sir: We regret we have been forced to form the conclusion that you do not intend to pay us the money you owe us unless stern measures are taken. We have taken such measures. This is to inform you that unless we get a settlement of this account by tomorrow we shall enter suit. The consequences, of course, will be unpleasant to you. We can stand it, though, much as we dislike such a procedure.

Yours very truly,

Under ordinary circumstances in an average town you probably will have had one or more personal interviews with the debtor before writing him letters like number four or five. In this event the letter should be worded in a way to make allowance for things that might have been said during the interview. The purpose of the foregoing letters has been to show, in the main, the various steps

which have been proven resultful in getting money out of reluctant debtors.

After having delivered yourself of your ultimatum as in letter No. 5, your next step is to make good on your threat. Put the matter in the hands of your lawyer and instruct him to go right ahead. If the garnishment law of your state is such that you can attach a portion of the debtor's wages or salary, do so. If he owns property sue him and get a judgment.

If you are a member of a Merchants' Association or a credit adjustment bureau, undoubtedly the organization can handle the legal end of the matter for you.

The concluding steps of the operation are painful. But you have recompense in the thought that you are not obliged to do such a thing often. In fact the chances for your being forced to take such radical action at any time are very remote if you are careful about dispensing credit, conservative about placing a limit on each customer's credit and strictly enforcing the terms from the very beginning.

The uncollectable bill is, ninety-nine times out of a hundred, the one that has been permitted to accumulate through a period of months on the partial payment plan. A man buys $35 worth of merchandise from you this month and pays you $25 on account. Next month he buys $40 worth and pays you $15 on account. Next month he may pay $30 on account. The thing grows and grows until the bill is eighty, ninety or more dollars and then trouble comes. The grocer is the one who has most of the woe that comes from this class of credits. Certain people will run up bills with him and then think they can keep him quiet by handing out five or ten dollars every now and then on account.

The secretary of a big city Grocers' and Butchers' Association is authority for the statement that the average grocer is afraid of his customers. He lets them impose on him in many petty ways. It is a pleasure to be able to report, though, that conditions in this respect are steadily improving.

How foolish it is for a merchant to appear satisfied with a payment of ten or fifteen dollars from a customer who owes him perhaps a hundred and who that very month will buy more merchandise than the partial payment covers. Unless there are particular reasons for such extension the merchant runs the risk of never getting his money.

Sometimes it is the case that the customer is going to receive a sum of money at a certain stated time. The merchant then may be justified in letting the indebtedness accumulate in the manner just described. But in the case of the debtor who has a certain stated salary and no particular expectations of prosperity at a later date, it is the utmost folly to let his accounts increase in this cumulative way. No matter how honest he may be, it is pretty safe to assume that if he can't pay now he never can. Cut him off your list. You may fail to get the money. But in any event you will not be giving him any more merchandise.

It goes without saying that an essential of resultful collecting is keeping the right kind of books.

You know the kind of books you keep, Mr. General Merchant, Mr. Grocer, Mr. Hardware Man. Be frank, now. If you were this minute to take charge of a store the accounts of which were in a shape like your accounts, what success do you think you would have in collecting?

Look at your books from the attitude of an outsider. What do you think of them? Could you enforce collections from these accounts? Remember, you cannot force a man to pay you money, unless you can prove he owes it to you. How are you going to prove it? By your books, you say. Yes, this is the way to prove any indebtedness. But it would be hard to convince a certain retailer of this fact.

The retailer in question had been unsuccessful in collecting a number of accounts. He sued a certain debtor. The man fought. It then became the merchant's duty to prove to the court that the money was owed him. He brought in his books. The judge looked them over and tried earnestly to gain light.

"These books do not mean anything to me," the judge finally was forced to say. "The accounts are in such a hopelessly muddled state that they do not prove a thing. This man may owe the money. In fact, I think it is more than likely that he does. But probabilities will not answer in a court of law. Proof must be given. I suggest that an expert accountant be put on these books and see if he can get at the truth in this case. It surely is beyond me. The case is dismissed."

The merchant lost his very good case through the very thing

that should have won it for him. He "kept" books. But he kept them in such a fantastic way that they meant practically nothing.

The careless, slovenly, heedless sort of accounting that is done in some stores is directly responsible for the failure to collect many a dollar. Names are spelled wrong. The customer's initials are transposed or incorrectly written. His address may be wrongly listed.

Suppose you are conducting a store in a large town where street addresses are necessary. A man succeeds in running up a large bill on you and suddenly decamps leaving you holding the sack. Through your local credit agency or other means you try to trace him. Then you find that you did not at any time when he was trading with you spell his name correctly. Or you had his first name wrong. His name might have been John Jones and you called him James Jones. A letter addressed to James Jones would have a mighty hard time in getting to John Jones.

Or you may have had the man's name right and his address wrong. You give to your investigator the address you think is correct. The investigator begins his work and finds that nobody by that name ever did live at such a number.

What are you going to do in such a case? You will do just what a great many other careless merchants do—nothing. What CAN you do?

Clerical mistakes, due nearly always to the carelessness of the clerks, are common in large stores as well as in small ones. You will find these things in the city as well as in the country.

A friend of ours has for four years been buying groceries from a certain merchant. It may be assumed, in the absence of information to the contrary, that he pays for these groceries. At least, the grocer never fails to send the bill promptly on the first of each month. Fully fifty monthly bills have been received for the groceries bought during the four years. And not one of them has been sent to the right address! The grocer's bookkeeper got the address wrong in sending out the first bill and has kept it wrong ever since. The wide-awake postman on that route solved the error early in the game and so the bills have reached their destination each time. Thus, the groceries go to one address and the bills to another.

Are your credit customers' names right on your books? Do

you know their initials? Do you know where they live? Do you charge them for goods in such a way that you can prove they bought them? Can you make out monthly statements intelligently?

Refer again to the section on Bookkeeping. Then compare it with what is going on in your store. If you are an average merchant you probably will decide, after making such comparison, that an efficient system of accounting—a system that really accounts—would help you immeasurably in your quest for money that is coming to you.

CHECKING UP DEBTORS.

An undisguised benefit to retailers in towns large and small the country over has been the work of rating bureaus. These bureaus are known by various names. In one town the organization may be called The Merchants' Protective Association. In another it may be The Retail Merchants' Association and in another the Creditors' Protective Bureau.

The object of such associations is to act as a local credit clearing house. In this way the "slow pays" can be closely checked. A man who owes several merchants and who is deliberate about settling may find to his chagrin some day that he no longer can get credit until he has made peace with the men he owes.

Association work of this kind is of not much use unless it has earnest co-operation from the merchants. With co-operation it will give the desired results almost automatically.

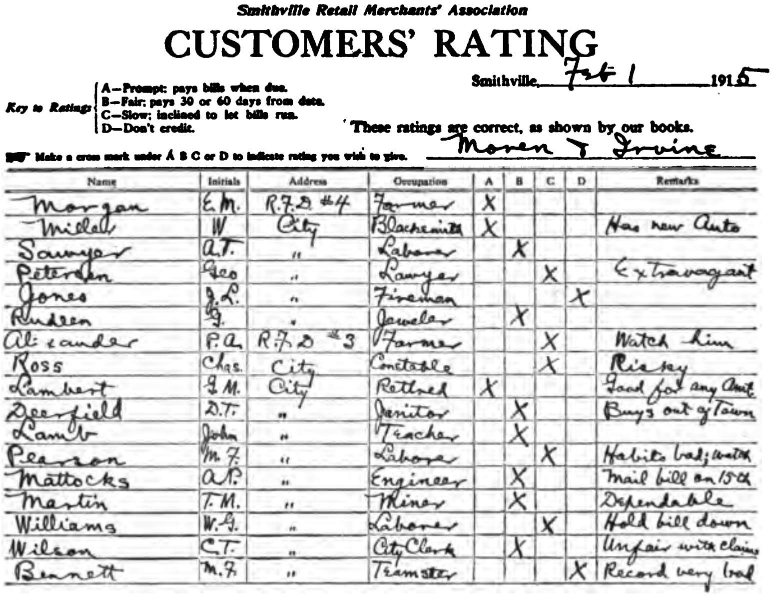
The usual plan is to distribute among members of the association credit rating blanks after the style of the one illustrated here. When the deal is first started each merchant is asked to list all his customers on the sheet, rating them under A, B, C or D. "A" means that the customer is "good" and pays his bills promptly. A "B" customer is a fair risk and pays his bill within thirty or sixty days. One under "C" classification probably will pay, but should not be credited to any great limit and should be watched carefully. Those in D class are not worthy of credit and should be obliged to pay cash.

The sheets bearing the names and information are turned in to the secretary of the association and he compiles the data. Once or twice a month each member is supposed to send in additional sheets listing the names of any new customers he may have obtained.

A man applies at the store for credit. The merchant may not

know him well enough to extend it on short notice. He calls up the secretary of the association and that official informs him in just about two minutes how the individual stands. Then the merchant can do as he pleases about extending credit. He then knows the customer and is acquainted with the risk he must undertake in crediting him.

In small towns where there is a rating bureau the information



Smithville Retail Merchants' Association

CUSTOMERS' RATING

Smithville, Feb 1 1915

Key to Ratings:
A—Prompt: pays bills when due.
B—Fair: pays 30 or 60 days from date.
C—Slow: inclined to let bills run.
D—Don't credit.

These ratings are correct, as shown by our books.

Make a cross mark under A B C or D to indicate rating you wish to give. Moren & Irvine

Name	Initials	Address	Occupation	A	B	C	D	Remarks
Morgan	E. M.	R.F.D. #4	Farmer	X				
Millet	W	City	Blacksmith	X				Has new Auto
Sawyer	A.T.	"	Laborer		X			
Petersen	Geo	"	Lawyer			X		Extravagant
Jones	J.L.	"	Fireman				X	
Rudeen	G.	"	Jeweler		X			
Alexander	P.A.	R.F.D. #3	Farmer			X		Watch him
Ross	Chas.	City	Constable			X		Risky
Lambert	G.M.	City	Retired	X				Good for any Amt.
Deerfield	D.T.	"	Janitor		X			Buys out of Town
Lamb	John	"	Teacher		X			
Pearson	M.F.	"	Laborer			X		Habits bad; watch
Mattocks	A.P.	"	Engineer		X			Mail bill on 15th
Martin	T.M.	"	Miner		X			Dependable
Williams	W.G.	"	Laborer			X		Hold bill down
Wilson	C.T.	"	City Clerk		X			Unfair with claims
Bennett	M.F.	"	Teamster				X	Record very bad

Retail Credit Clearing House Report

nearly always is given the merchant over the telephone, a code being used.

A rating bureau can not only assist the merchant in passing intelligently on all credit applications, it can also help in the collection of slow bills. For example, a letter like this to a delinquent debtor is likely to bring results:

SMITHVILLE RATING BUREAU.
Office of the Secretary.

Dear Sir: This association has learned that you are indebted to .... in the sum of $...........

Undoubtedly there is some good reason why you have withheld payment of this account, as, of course, you want to protect your credit standing in this com-

munity. It is our rule that the names of all debtors should be reported, after a certain time, to the members of this association.

The writer has not yet made such report of your name. I have no doubt that you and Mr. .... can get together on this thing on a mutually satisfactory basis. This would be of distinct advantage to you, as it would enable you to continue enjoying the advantages of credit. Let me suggest that you see Mr. .... at once and make some sort of an adjustment. I am withholding action for a few days pending the result of this interview.

Very truly yours,

.... Secretary.

This is a courteous letter and yet it has a veiled threat in it. It is intimated to the debtor, although in diplomatic language, that unless he makes his peace with the merchant quite soon his credit standing in that town will be impaired.

There is nothing about the letter to make the man angry and nothing that he can rightfully resent. Therefore, it is more than likely to result in some sort of adjustment. Unless a person is irresponsible in money matters, he has no liking for a shattered credit standing.

If he is unable to pay the bill, it should be insisted that he settle some other way—by note, perhaps.

The work of these bureaus has materially reduced the amount of money lost through bad debts. Up to a comparatively short while ago it was generally thought this plan was adapted exclusively to the big town where people were not so well known to individual merchants. But it works perfectly in a small town and has done some tremendously effective work in eliminating bad credit risks from the merchant's list of troubles.

There are two methods of organizing such an association. One is to have a secretary and a head office. This, all other things being equal, is probably the more desirable of the two.

If the town is too small for a paid secretary, or if not all merchants care to go into it, a very satisfactory mutual co-operative collecting bureau can be organized.

Under this system stationery is printed, and each member is given a supply. He keeps track of all his accounts. When it becomes necessary for him to write to some of his delinquents he writes on association stationery, and signs it with the name of the secretary. Thus, behind his efforts at collection stands the moral

support of the association without much additional expense. Under the plan each member of the association is supposed to be a corresponding secretary.

The association has a postoffice box to which all association correspondence is sent. It is taken out by the secretary and distributed to the members. It costs only a dollar to be a member. In addition, each member is charged for the amount of stationery he uses.

The method of organizing such an association is made plain by the following by-laws of an organization of this kind in a central western state:

"We, the undersigned, believing that many of the evils incident to a credit business may be eliminated by co-operation, do hereby organize an association to be known as the .... Protective Association.

"Its object shall be to assist each other in the collection of bad accounts and to protect its members from those unworthy of credit.

"Its officers, elected annually, shall consist of a president, whose duties shall be to call meetings when he deems it advisable and to preside over the same; a recording secretary and treasurer, whose duties shall be to keep a record of all meetings, collect dues and assessments, distribute mail to individual members that has been addressed to the association, purchase stationery and sell to the members at actual cost, and to perform other duties as approved by the advisory board.

"An advisory board, consisting of the president and three members appointed by him, whose duties shall be to define the policy of the association and to see that all proceedings are within the limit of the law. To audit the accounts of the secretary and treasurer and to instruct him in any special duties that may be required.

"Each member of this association shall be a corresponding secretary and be authorized to use the association stationery and form letters constructed for that purpose. Membership fee will be one dollar, payable in advance."

Thus you see that the way of the man who doesn't pay can be made very hard—if the merchant is courageous, courteous, firm and wise.

Effective credit regulation, either individual or through associations, can not only bring in the money, but can eliminate many of the unpleasant features that sometimes come up in the collection of money. No merchant likes to start garnishment proceedings. No merchant likes to place his accounts in the hands of a lawyer. As a matter of fact, though, it is largely his own fault when accounts reach the garnishment stage. Proper preliminary investigation doubtless would have prevented him at the outset from extending

credit to a man who would be likely to let his accounts drag along to this limit.

Some states have very effective garnishment laws that give strong protection to retailers against dishonest people. But garnishment laws, good as they may be in many respects, are not unmixed blessings by any means. They tend to make some retailers careless in the matter of credits and collections. Some are likely to rely on the garnishment law to do a great deal of the work they should do themselves. Accordingly it often is the case that a merchant's loss in uncollectable bills is larger under garnishment laws than otherwise.

Retail credit after all is a problem for the individual merchant. Associations are good. Laws are good. But these agencies cannot take the place of proper preliminary investigation and careful collecting.

TAKING IN THE CASH.

The growing tendency among stores is to have such a system that clerks do not have to handle cash.

In stores—variety stores for instance—that make many sales for small amounts it generally is found to be a waste of time to have a central cashier. The most practical thing usually is to have a sufficient number of cash registers, and allow each clerk to act as his own cashier.

Leaks or dishonesty can be reduced to a minimum even under this system by enforcing a simple rule to the effect that the money for each and every purchase shall be rung up and the change returned to the customer before the goods are wrapped. This is the rule in various syndicate 5 and 10 cent stores and has been found to work satisfactorily.

Of course, the supposition is that each clerk is honest and most of them are. But now and then you will run across the weak willed or somewhat crooked individual who will try to take what does not belong to him.

If the goods are given to the customer before the money is received the customer can walk away before seeing what the clerk does with the money. With the customer standing right there waiting for her goods and with the cash being rung up and the change made before her eyes, the chances are one hundred to one that the clerk will put the money where it belongs.

The writer was in a good sized variety store on a busy day and was impressed by the amount of business that was lost through delay caused by a cash carrier system. The proprietor sat upon a sort of throne in the rear, elevated enough so he could see the entire store. He perched himself on a high stool and acted as cashier. The cash was brought to him by means of a carrier system. He might have been efficient in many respects, yet if he had been holding his job on his merits as a cashier he would have lasted just about ten minutes.

He said he was thinking about pulling out his carrier system and putting in cash registers. No wonder. Anyway, just think of a store owner acting as cashier when he could have been selling goods!

The proprietor of a good sized general store that had various departments in two rooms, solved his cash getting problem by putting his carrier system in all departments except the one selling variety goods and candy. He had a big candy trade among the children and it would have been a task to make out a ticket for each sale ranging all the way from a penny up to a dime. Each evening he had duplicate sales slips made out for each cash register in the candy and variety departments. In this way the sales were entered in the aggregate instead of singly and thus were made part of the records as much as any other sale in the store during the day.

The owner of a small but lively dry goods store adopted the plan of having each clerk as he made a sale fill out a duplicate slip and take it personally to the cashier, getting the proper change and then giving the change with the package to the customer.

A big hardware store utilizes the customer to do the work necessary in getting change made. When a sale is made the sales slip is made out in duplicate by the clerk. One of these slips is handed to the customer and he is requested to settle at the cashier's booth while the goods are being wrapped. If the customer pays cash, the bill is receipted. If it is on a charge account the bill is O. K'd. In each case the customer returns the stub to the clerk and gets his goods. No clerk handles cash at any time. It might be thought there would be some difficulty about this. But the merchant says that it is eminently satisfactory. The cashier's office is easily reached from any portion of the store and the customers seem perfectly willing to act as cash messengers.

CHAPTER IX.

Branching Out

SEVERAL years ago a young man opened a small dry goods store in a modest location on a side street in a certain city. He knew a great deal about dry goods, having been forced to work in a dry goods store when most boys should be in school. He was honest and a tremendous worker. He believed in himself. The capital for his venture was supplied him by his wife. She inherited it.

That part of town improved. And the first thing people knew there was a thriving dry goods store on the corner. The merchant, using unique advertising methods, succeeded in getting the people down his way—drawing them off the beaten tracks of retail trade.

He did the right thing in prices and in goods. He endeavored to have service in his store just a little better than in any other. He prided himself on his ability to save his customers time in the matter of waiting for change and having packages wrapped.

The business grew and grew—grew until the modest little corner seemed fairly bursting with prosperity.

Then the merchant began to see visions and dream dreams.

Why not move up a block or two, get two floors instead of one, put in a larger stock, and go at the thing right?

He did. And he went broke.

Here are the facts of the tragedy:

This merchant, like many another prosperous, ambitious person, took his important step toward expansion without realizing what he was going up against. He did not consider the increase in expense that would follow when he got into his new location. True, he knew how much he would have to pay out, but he did not adequately consider his chance for getting enough additional business to warrant the larger outlay. If a man moves into a store where

he has to pay twice as much for selling his goods, it is obvious that he must have at least twice as much trade as he is getting in his present location.

This merchant found, by moving onto the more prominent street, that he did gain a considerable portion of new trade. But he was forced to leave a good portion of his old trade behind him. All his former customers did not follow him to the more pretentious location. He thought they would.

He kept up the unequal struggle for a year and then had to quit.

Do YOU feel like expanding?

Good for you! But be conservative.

Every ambitious merchant wants to grow. If he did not have constantly before him the high mark he expects some day to attain there would be less incentive to fight to overcome difficulties and strive for the highest possible measure of prosperity. Pressing toward the mark for the prize is a commendable attribute of ambitious manhood in every walk of life. Great is ambition. To it is due the credit for thousands of fortunes and countless useful lives.

But ambition needs to be guided. Ambition is indifferent to eventualities. It sees only the shining goal ahead and recks not the difficulties and obstacles between the starting point and the reward.

The truly successful merchant takes a firm hold on ambition and rules ambition instead of being ruled by it. He applies to his problems of advancement the same sane, systematic, balanced reasoning that is spoken of in the foreword of this book. He refuses to let unexpected success or prosperity entice him to rush unprepared into unexplored regions.

Branch out?

Certainly! What ambitious merchant is content to stand still? Branching out, developing, the steady adding of new lines—these are essential for the merchant who would win.

Branching out may safely mean a larger and better store.

Or it may mean ANOTHER store.

But all the growth should be steady and safe. It may be fast. Or it may be slow. Either way can win if the principle of "safety first" is the guide.

If you will pardon a personal reference, the growth of our own firm is a strong example of gradual, but absolutely sure development.

Back in 1877 and 1878, when the foundations for our business were being laid, the fundamental ideas of the organization were just as good as they are now. In fact they have changed but little, strictly speaking, with the years.

But suppose at that time, with the great IDEA that was as sound then as it is now—suppose at that time, exultant in the really wonderful success attained at the very start, Butler Brothers could have become possessed in some way of a million dollars capital.

Would we have grown to our present proportions?

Perhaps. But we doubt it.

With what at that time would have been practically unlimited capital, we might have allowed hot blood to overbalance good judgment. We might have forced the business into a mushroom growth. We might—well, we didn't have the million dollars. And we are glad we didn't.

Each week, each month, each year brought new problems. The solving of these and the steady, healthy growth that their solution made possible caused the gradual budding, blossoming and fruition of many ideas. These, grouped around the one big central IDEA, welded together by necessity and hard work, unfolded and unfolded until our business is what it is today—the greatest wholesale establishment in the world.

Even so, the possibilities for growth and development in this business are absolutely dazzling. Just over there—right there, is an immeasurably greater Butler Brothers. We know it is on the way. We can see it coming. Yet, that mark will be reached gradually, conservatively, safely.

Do YOU want to expand? We would be the last ones to hold you back. Your continued growth is necessary for our own development. But we would have your store grow as YOU grew from childhood to manhood.

A child's growth and development is natural, gradual. Given good health, proper schooling, needful discipline and careful watching the child will grow as nature intended it. One child will develop into a master of men. Another will be in the ranks. A child

of ten or twelve who is forced to take upon himself the responsibilities of manhood imperils his future well being. He is obliged to expand beyond his years, his experience and his strength.

If a young man could enter upon a university course with only grammar school preparation he would be beyond his depth at the very first plunge.

All growth that amounts to anything is natural and gradual. The world itself—and the universe, too—grew just that way. So did mankind. So did everything. This is a law of nature that should be applied to the store.

Grow? Of course. But not as the mushroom.

We receive many letters from ambitious merchants who are seized with an attack of the branching out fever. We welcome such letters. They give us an opportunity to speak a word of caution or encouragement as the case may merit.

We have advised some merchants to take some step upon which they ask our counsel. Others we have advised to go slowly. And the undertakings of others we have been forced to pronounce totally unsound.

An interesting case came to our notice only a short time ago.

Two energetic young fellows were—and still are—doing well at a general merchandise business. They had an opportunity to expand and asked us for suggestions.

In a letter, after outlining the proposition, they wrote:

"If you think we are not justified in going into this larger store we want you to tell us so frankly. We wish, however, to have you take into consideration that we are not plodders, but want to make a bigger success. Also, we are willing to put forth the most earnest efforts so to do.

"Our town has a population of about 4,000. We have three railroads, and are situated in the most prosperous part of the state. Crop failures this year are practically unknown.

"When we took this business over about five years ago, the store was doing a gross business of about $10,000 a year. Last year we sold $41,157.62. On this we made a net profit of $4,613.74, allowing each a salary.

"And our assets at this time—good live ones—amount in round numbers to $20,000. Our liabilities are about $12,000. Our

business during the last year has shown an increase of about $1,000 a month.

"Now, our present quarters are too small. We are paying $50 a month rent. Right across the street is a fine three story building. Of this we can get the first floor and basement and part of the second floor for $150 a month. With this layout we could go at the thing right. We would put in a good basement store on the plan of your new book and have a real store in every particular. We, of course, will need additional capital. Our banker promises to help us to the extent of at least $5,000. What do you think of it? Don't be backward in speaking your mind."

Here is what we wrote in reply:

"In reference to the proposed expansion in your business we take the liberty of presenting a few matters for your consideration, which might have escaped you, realizing of course that the final decision must and ought to rest with you.

"In the first place the age, ability, application and temperament of the members of your firm must be considered. It is easier to undertake than to fulfill. Before entering upon a venture of such prime importance, it ought to be considered from all angles and given most careful thought.

"It must be admitted that the way in which you have increased your business gives one a favorable impression as to your qualifications. It is possible that if after full consideration you determine to remain where you are you will be unhappy and that the thought of what you may have possibly missed by not entering upon the project may continue as a source of vexation.

"Secondly, you should fully consider the increased expenses such as rent, clerk hire, light, heat and insurance and that your investment must be increased considerably in order to do the increased business necessary to meet those enhanced expenses. Your rent will be trebled and your other expenses probably in proportion. The stock you carry would have to be increased very materially, and we hardly think the $5,000 increased capital the bank is willing to let you have will be sufficient to take care of your added investment. It seems to us you ought to have ten or twelve thousand dollars more to insure a success.

"Third, while you have shown remarkable results since you undertook your business five years ago, it is for you to consider and

to determine the likelihood of your increasing that business at a new location so as to take care of the increased expenses and give you a proper return on the added capital needed.

"Doubtless you have in your experience known of a splendid business yielding excellent profits located in some particular neighborhood, which afterward proved an absolute failure when moved only a short distance—even across the street. It is, of course, a natural and laudable ambition that two young men want to increase their business. But, generally speaking, it is safest to do this in a steadily increasing way by continuous accretion without trying to make your capital reach too far or undertaking to do all the business on the street. It is a question for you to decide whether or not you ought to be contented with the splendid showing you have made thus far or assume increased responsibilities on capital which must be partially borrowed. Would it not be better for you to be content with a sure and slower growth along well known and beaten paths than to try to make one year accomplish what, generally speaking, you would not be able to do in less than three?

"We hope you will not consider what we have to say as a discouragement, it being our one purpose to present some of the angles for your consideration which it is quite natural to overlook when the desire to undertake once takes possession of a person.

"You will need considerable more capital than is promised and your business will require even closer attention. On the other hand you have done so well thus far and give such good evidence of application, industry and ability that it is quite possible the opportunity is an exceptional one and if you did not embrace it, the thought that you did not would ever be a sore spot.

"All we can say is: Consider the situation well in all its phases and if you determine to undertake it, burn the bridges behind you and see nothing but success before you. Let us know what you decide. And we shall do our very best to aid you further."

CHAPTER X.

Leases and Leasing

A YOUNG MAN with some money, plenty of energy and quite a bit of sense decided to enter business.

His first move after making this decision was to hunt up a suitable storeroom.

It so happened that in his town two buildings were available. One was on the main street where nearly all the town's trading is done. The other was four blocks away from where the biggest crowds passed.

The rent of the first location was $150 a month. The second store could be had for $50 a month. The difference of $1,200 looked big to the young man. His capital was not any too great and he reasoned that in the cheaper location he could have that much more money to spend for goods.

He closed the deal for the side street store and then went to market to buy his goods.

If he had gone to market before renting the store, he probably would not have gone broke a year ago. It is more than likely that the jobber would have advised him of the folly of the step he was taking.

There is no use in outlining his story in detail. Failures do not make pleasant reading. But it is enough to say that the poor location did for him just what it did to six other men before him—sent him to the scrap heap. People did not get down that way in large enough numbers to make his venture a paying proposition. He did not have the extraordinary ability necessary to draw people off from the beaten path of trade.

He had faith in himself and his proposition. And his faith was well founded save in the one fatal flaw—a poor location.

It was obvious that this man, in his eagerness to start a store, did not ponder long enough to give everything its proper place. He

surely was showing presumption of a high order when he believed, or affected to believe, that he could do something that six able men had failed to do before him. He went to the side street location so he could have $1,200 a year more to spend for merchandise. And then he could not sell even a smaller amount!

The matter of location is one of the biggest things a merchant has to look out for. You must be placed right, or be less likely to make good.

It is a well known principle of successful merchandising that as the rent goes up the cost of advertising comes down—also, as the rent goes up, the number of turns increases.

What do we mean? Should the merchant deliberately hunt around for expensive locations and pay out rent money lavishly without adequately considering his chances for getting value received?

Not in the least.

What we are trying to do here is to impress on every merchant and merchant-to-be that a cheap location is the poorest kind of economy.

Think twice before you pass up a good location for one not so good.

If you have any doubts as to the importance of locations as helping determine a merchant's success, just mention the matter to the credit man of any house from which you buy merchandise. He will tell you that a new merchant in a first class location can get a better line of credit than can one of equal ability and equal capital who goes onto a side street.

Be sure your location is right.

Have you read your lease?

The chances are you haven't.

It also is a fairly safe guess that even your landlord has nothing more than a general knowledge of what that important document provides.

If your lease is like the average you have promised in advance to do practically anything and everything your landlord requires. You have signed away substantially every right except occupying the store and PAYING YOUR RENT.

The average lease is an extremely good thing—for the landlord. The tenant's rights—**rights** did we say? Well, he gets those when he fights for them in advance.

Suppose misfortune should overtake you. You feel obliged to sell out your store. You are honest and insist on paying your debts. Your lease may have a year yet to run. What happens? The landlord comes along, starts proceedings, and collects for the whole term of the lease.

You will regard the proceedings as unfair and unjust. Yet, you can do nothing, for in the lease that you signed probably will be found a clause reading like this:

> "If lessee shall make an assignment for the benefit of creditors, or be declared a bankrupt, or if the goods upon said premises should be sold under execution against him, then the rent for the balance of the then term shall at once become due and payable as if by the terms of this lease it were all payable in advance, and shall be first paid out of proceeds of such assignment or sale, any law, usage or custom to the contrary notwithstanding."

If such a clause is in the lease you can figure in advance that it will be upheld by the courts. It is perfectly legal. The time to fix a thing like this is when the lease is made.

You can most appropriately insist that such a clause be left out of your lease. The landlord is adequately protected in any instance. He usually is regarded as a preferred creditor to a certain amount of rent—in some states up to a year. Above that sum he is allowed to pro-rate with other creditors.

If a merchant actually goes into bankruptcy, the lease automatically ends, and the landlord can collect only for such rent as may be actually due. But this is a consideration worth but little. The average merchant, even though he fails, does not want to bring upon himself the stigma of a bankruptcy court. He desires to settle with his creditors privately. And he is right. But it often has been the case that the exactions of an ironclad lease have prevented him from making such a settlement to his satisfaction.

The moral: KNOW YOUR LEASE.

You would not sign a mortgage or a note without knowing its provisions.

A lease is equally important.

When closing a deal for the rental of a store remember, as we have already suggested, that most of the rights in the lease will be on the landlord's side. Before signing, therefore, know precisely what you are about. Have your banker or your lawyer look over the document to see that your rights are safeguarded in every possible particular.

The necessity of this can be seen when you consider that even under the most favorable conditions your rights and privileges will not be any too great.

We just spoke of your banker. He, by the way, can often be of great assistance in adjusting any difficulties you may have with the man whose building you occupy.

Suppose, you have been jogging along at a pretty fair gait for a year or two then suddenly see the great need of a new front. You go to your landlord and propose that he make such an improvement. He looks at you if you were an escaped lunatic. He says many things that need not be repeated here, but the net net of which is something to the effect that the rebuilding of the store front is unthinkable.

But you want that new front. And he refuses to give it to you. You suggest to him that you yourself will bear a certain proportion of the expense—half, say. Still no agreement.

You then propose that he put in the new front and pay the entire expense and then raise your rent to a certain figure during the balance of your tenancy that will, in the aggregate, pay for the improvement.

Now you made a proposition that is more than fair. Yet, Mr. Landlord may still stand pat.

Right here is where your banker can come to your aid.

Have your banker try to impress the building owner with the utmost importance of a new front to the welfare of your business. The banker doubtless can make the landlord see that such an improvement, together with a higher rent, can raise the value of his store and give him in time a bigger return on his investment than he ever could expect otherwise.

If you are running a variety store the landlord probably can be made to see the value of building a new front so as to protect you from invasion by a syndicate store.

This is an important proposition. Be sure to let your banker help you in presenting it.

An obstinate landlord has stood between many an enterprising merchant and success. Don't let it be so in your case.

DON'TS FOR LANDLORDS AND TENANTS.

Here are some admonitions which landlords and tenants may find useful:

Don't rent property except on written lease.

Don't depend upon the verbal promises of a landlord.

Don't look to a landlord for general repairs, unless especially provided for in the lease.

Don't remove a fixture—mantle, tile floor, stationary tubs—unless you expect to restore the premises as you found them.

Don't take a married woman for a tenant, unless the laws of the state permit her to make an executory contract.

Don't accept any shorter notice than thirty days when holding by the month.

Don't let premises for illegal use, or arrears of rent upon ejectment will not be collectable.

Don't leave your landlord trade fixtures erected by you on the premises.

Don't erect a building upon foundations sunken into the ground or it will become part of the realty.

Don't turn the premises over to the landlord until all questions of ownership of fixtures, additions and other improvements have been settled in writing.

Don't try to hold back the rent for repairs made by you.

Don't move into premises until you get your written lease or agreement.

Don't allow a provision not to sublet deter you from putting in a tenant of the same standing as yourself.

CHAPTER XI.

Buying for a Profit

EVERY dollar that jingles into your till carries with it a gross profit. This may be twenty-five cents, fifty cents or more.

To get that dollar you have to pay out say cighteen, twenty or twenty-two cents as selling expense.

This leaves you a NET PROFIT of five, ten, or fifteen cents or more on the average dollar you take in.

Then, why don't you get rich?

You get the dollar. You can see it. You know you have it. But where, at the end of the year, is the dime or more that this dollar should have left behind it?

Or where is even a nickel representing the net profit of each dollar you have taken in?

The difference between gross profit and expense ought to be net profit. It is, according to the definition of net profit. But does it always work out that way? If it does, in your store, then where is the money?

A moderate net profit, compounded over the number of years the average merchant is in business, ought to make him rich.

It CAN make him rich.

Say a man starts a store at the age of thirty with a capital of $2,000. Assume his annual sales to be four times his capital. Further assume that these sales of $8,000 pay him a yearly net profit as low as 5 per cent on sales—this, of course, in addition to a living salary—and that he leaves the profit in the business each year. His showing in this case should be as follows:

At 30 his capital is	**$2,000**
At 35 his capital is	**5,000**
At 40 his capital is	**12,000**
At 45 his capital is	**30,000**
At 50 his capital is	**50,000**

Does the average merchant have this much money to show after twenty years' work?

He does not, as you well know.

You know well enough that many a merchant after spending the best years of his life behind a counter is not able to retire with enough to keep him in comfort.

Yet, a competence or a fortune **can** be made from a store. Figures tell the truth. Surely your business is making at least 5 per cent net profit a year. If not, it is unsafe. The chances are you are making as much as 10 per cent net. This is all the more reason why you should in time become rich.

This is sound reasoning. It is A, B, C. Why, then, do not more merchants get rich?

The answer can be told in just three words:

LACK OF TURNOVER.

They don't get rich because their so-called profits pile up in the store month after month, year after year, in the form of unsalable merchandise. Their so-called profits instead of being put where they will compound and grow are locked up in merchandise that hangs on and hangs on until these very profits are transposed into actual liabilities.

Such a condition is brought about by overbuying.

OVERBUYING, THEN, IS WHAT KEEPS THE AVERAGE MERCHANT FROM GETTING RICH.

If you are not getting rich the fault is not with merchandising. It is not with the merchandise. It is not with politics or the tariff. It is not, in all probability, due to lack of industry and perseverance on your part.

IT IS BECAUSE YOU BUY UNWISELY.

If you would put your year's net profit in a well or bury it under an apple tree—even this would be vastly better than sinking it in merchandise you do not need. Of course, while buried it could not work for you. It could not compound. But you would have it safe. And it couldn't hurt you. It couldn't make you poor as does unsalable merchandise.

New merchandise is a profit-maker. Old merchandise is worse than a drug.

The one, bought in quantities that YOU can sell can make you rich. The other, made that way by being too long in the store, can drive you into the hands of the sheriff.

You can SELL yourself into wealth. You can BUY yourself into bankruptcy.

More than likely you are selling enough right now to make you rich. What's the matter? In the light of the above remarks, you might decide you are buying too much merchandise.

Perhaps so. But such is not necessarily the case.

Get the point: It is not the aggregate QUANTITY of merchandise you buy that keeps you from getting rich.

Not enough merchandise is as bad as too much. Overbuying can mean buying more than you can sell. Or it can mean buying more at a time than you can turn enough to gain an adequate net profit.

Suppose you sell $50,000 worth of merchandise in a year. You anticipate your probable sales fairly accurately, and then place a lump order for enough merchandise to represent $50,000 sales. It comes in. You display it, stock it, store it away. You have the goods.

Let us assume that you gauged your orders fairly accurately. You sell a greater part of the merchandise—as much as you thought you would. BUT YOU HAVE TURNED YOUR INVESTMENT ONLY ONCE. This is overbuying.

This is an extreme case. But it illustrates the point.

You would lose because you forget that the number of items always controls the turnover—that every dollar invested in surplus stock cuts down the number of turns.

One dozen each of six items will show sales six times as great as six dozen of one item—thus earning six profits instead of one and with the same investment.

By buying too much at a time, a merchant encircles his opportunities with an iron band of restraint. He ties up his capital by buying quantities of a few items. Thus, his store is placed in the position of having too much of a few items and NOT ENOUGH items. He may even have to increase his room and clerk hire.

He may sell his quantities of a few items fairly successfully. But he is gaining only the few profits yielded by his few lines instead of the numerous profits that can be yielded by many lines. His

dollars are not doing their best. They are yielding only a portion of their earning capacity.

The net profit on fifty times one thousand dollars is greater than on one times fifty thousand dollars. The net profit on a dollar invested ten times is greater than that on ten dollars invested once. It is all a question of turnover—making each dollar yield its utmost.

The AGGREGATE amount of merchandise you buy in a year may not be too great. But you may buy it in TOO GREAT QUANTITIES. It is not a question of HOW MUCH you buy in a year. Your prosperity depends on HOW you buy it and WHEN you buy it.

Many people think overbuying means buying too much. This is only a limited definition. The WHEN and the HOW have vastly more to do with the proposition.

Goods should be bought in such quantities and in such a manner as to produce the maximum amount of business on a minimum investment.

You have so much capital, so much expense. These remain about the same whether the sales be larger or smaller.

The more volume of sales you can make without increasing your investment, your expense or your room—the more times you can turn your capital—the greater your net profit will be.

This being so, it is no trouble at all for a merchant to know the right way to buy for a profit. Yet, many a retailer keeps on buying in such a way that he has too much stock of some items and not enough items. This prevents him from having variety and causes him to waste his store space, his capital and his opportunities.

Why, under these conditions, with their eyes wide open and with a more or less thorough understanding of the consequences, do merchants insist on buying too large quantities?

Usually it is because they think this is the only way to get right prices.

When they proceed on this plan they are grievously wrong. The history and growth of Butler Brothers prove this. BUTLER BROTHERS BUILT UP THE GREATEST WHOLESALE BUSINESS IN THE WORLD BY MAKING IT POSSIBLE FOR THEIR CUSTOMERS TO BUY FROM OPEN STOCK IN ANY QUANTITY THEY CHOOSE AT RIGHT PRICES.

A merchant we know of sells nearly $36,000 worth of merchandise every year on an investment of about $4,000. He does this by ordering many times during the year. In fact this man has an order coming in, another in one of our distributing houses being filled and another one on the road to us practically all the time. In this way, and by discounting his bills promptly, he actually conducts his business on his jobber's capital. It is needless to say that this merchant makes more money than would be the case if he were doing a $36,000 business on an investment of $15,000.

It isn't the man with the most capital that does the most business. It is the man who keeps his own investment to a minimum and uses his jobber's unlimited capital for carrying on his business.

A retailer of men's furnishing goods in a large city, who has only a few hundred dollars invested, does a business of many thousands a year. He has lively trade—a rushing trade—but, being in close touch with the sources of supply, he absolutely refuses to tie up his capital in surplus merchandise. He never has on hand more than two days' supply. He buys goods every day—and pays cash. This is practically conducting a big business on the capital of somebody else.

This merchant has the science of buying down to such a fine point that he sells much more merchandise in the course of the year than do many stores having twenty times his investment.

That is what we call buying for a profit. Not every merchant can turn his stock once in two or three days. Conditions in 99 per cent of the average stores could not be the same as in this store. Yet, the same plan can be adapted to suit individual needs and requirements.

Merchandise should be bought in accordance with what a careful study of the business shows is required to fill the needs of the store.

Consider the case of the fruit seller on the corner. He turns his stock several hundred times a year on an investment of only a few dollars. He buys a bunch of bananas, a box of oranges, a few pineapples, some red apples, some peanuts, a box of chewing gum and some crackerjack. He buys of each line such quantities as fill his requirements. He is able to make his small investment stretch to such a point that he can offer numerous items.

Suppose this man should some morning see a favorable opportunity to buy several bunches of bananas at a discount. Should he buy them he might use up all his available capital and that day would have nothing but bananas to sell in place of the several lines he had the day before. The fact that he had several bunches of bananas in place of the one bunch he had the day before would not enable him to sell any more bananas. But the presence of too many bananas would crowd out the other lines, both on account of limitation of room and captal. Or else he would need more room and some more help. The net result of that day's business would be only one profit instead of the dozen or more he might just as well have had.

This is the principle of turnover—the principle that works identically the same be it applied to the biggest retail store in the world or to the humble purveyor of fruit on the street corner.

PROFITS ARE MADE ON TURNOVERS. PROFITS ARE LOST ON LEFTOVERS.

If you will store these ten words away in your mind and let them guide you in your buying you will be able to get the larger net profits that may just as well come your way.

It is painful to see a man plodding along making only a living out of his store when no more energy, rightly applied, would bring him a satisfactory net profit—something more than a living.

But while all this is true, it also is true that SOMEBODY has to buy in large quantities. SOMEBODY has to invest his money in a big way. Otherwise, present day efficiency in manufacture and profit making could not have been attained. But that somebody should be the jobber and not the retailer.

The jobber, by the very nature of things, has to take a risk. He has to buy in quantities. He has to have unlimited amounts of goods. There is no source to which the jobber can turn for his goods in small quantities. He is the one whose money has to be tied up in big amounts.

Not so with the retailer.

When the retailer can find a jobber who can sell him any quantity, large or small, of any items of merchandise he may need—sell it to him AS he wants it and get it to him WHEN he wants it—then there is no reason that he should tie up his own capital. Why should he, when he can use the jobber's?

This is the service Butler Brothers extend to their customers.

The merchants who buy from us have, in effect, an organization of buyers covering the whole globe. They have the privilege of drawing, in accordance with their needs, upon great warehouses filled with unlimited quantities of the goods they want to sell. They have the advantage of LOWEST NET PRICES made possible through five house buying. They get the benefit, in modest lots, of the price made possible through original purchases of trainloads, shiploads or whole factory outputs.

We think we need not apologize for informing the readers of this book regarding our facilities along this line. For nothing we could say about the great principle of right buying would be quite so effective as to recommend that the merchant who wants to buy right should become acquainted with what we can do—become acquainted with "OUR DRUMMER," which is our monthly catalogue of general merchandise.

We print "OUR DRUMMER" twelve times a year. It is the only medium through which we sell merchandise. It fills our five houses with business—selling more goods, in fact, than one thousand flesh and blood salesmen could sell.

We said a page or two back that the reason many merchants bought in quantities was that they thought this was the only way to get right prices. The merchant who has "OUR DRUMMER" has an individual price guide. And with this help he can buy in any quantities he chooses and know he is buying right. All the prices in the catalogue are NET. Nobody in America could change them either up or down for the thirty days they are in effect. Moreover, there is only ONE PRICE FOR ALL. This price is expressed in plain figures. Anybody who can read knows exactly how much he has to pay us for merchandise. He knows, no matter how big or little the merchant may be, he buys exactly on the same basis as anybody else.

"OUR DRUMMER" never looks in a little book to see how you are listed before quoting you prices. It never tries to oversell you. It brings before you every thirty days the merchandise of all the world, tells you about it in a pleasing, concise way, names its price —and then lets you do the rest.

Thus, with "OUR DRUMMER" as a guide, you can, whether you buy from us or somebody else, know how much you ought to

pay and what is the seasonable merchandise to handle. If you can get a lower price than one quoted in our catalogue you ought to take advantage of it. In this event you can congratulate yourself on getting an extra good buy. But through all your buying you can have the comfortable assurance that you are not paying too much. You will know what your merchandise ought to cost, because right before you, in "OUR DRUMMER," is the price in PLAIN FIGURES.

Buying from this catalogue also will enable you to be your own master in stocking your store. It is your money that must pay for the goods you buy. Why not, therefore, have the say yourself as to what, when, where or how much you shall buy?

The merchant who is his own master in buying, the merchant who buys so the principle of turnover can rule in his store, the merchant who buys what he can SELL—he is the merchant who, other things being equal, will get rich.

Who is there that can deny this? Retailing is going to make more rich men during the next decade than it has made during the last two or even three. The retail store is only in the morning of its existence. Just see to it that your store is organized and conducted in accordance with modern success principles, and you will laugh to scorn all the false prophets who are so fond of telling you the retail store is on the toboggan.

And right buying is one of the greatest of these principles.

Great as it is, though, right buying can be your easiest task.

Paradoxical? Perhaps. But true enough, nevertheless.

The merchants who know "OUR DRUMMER" have proven by their own profitable and satisfactory experience the absolute dependableness of this statement.

Have you an insurance policy on your stock?

You probably have, in so far as damage by fire is concerned.

But is your stock insured from the damage—that can be more serious than fire—coming from overbuying?

"OUR DRUMMER" offers you your best insurance against such loss.

HOW TO BUY.

Judicious buying can be done only when the merchant is acquainted with his stock and the needs of his store.

When properly systematized, buying can be done judiciously—and with such an economy in time that the merchant has plenty of hours and energy left for pushing the selling.

After all, selling is your biggest task. This is the thing that has to be pushed. Your jobber, if you will allow him, will relieve you of the burden of buying. But the SELLING has to be done by you. The harder you push the selling, the more money you will make. And the more time you can save from the buying, the more time you will have to push the selling. Also the more judiciously you buy, the more resultful will be your selling.

The two work together. Yet, many a merchant overlooks the importance of the selling end. He thinks anybody can sell goods, but that it takes an expert to buy them. So he is likely to entrust to inexperienced people the important work of turning merchandise into money in order that he himself may have more time to buy.

At one time this was necessary. It used to be that the merchant had no other authority than the traveling salesman to inform him as to seasonable goods, values and prices. He had to devote much time to matching his wits with the sharp minds of well trained men who are past masters in the art of selling. Under the many price system he had to watch with the utmost care so he could buy to the best possible advantage.

The opposite is the case now. With our catalogue new every month, bearing goods from all the markets of the world, and quoting low prices in plain figures—and the LOWEST, NET GUARANTEED figures at that—the situation is reversed.

As things are now, it is possible if the merchant so wishes, for his clerk to do the buying—thus making it easier for the proprietor himself to do the vastly more important thing of seeing that the selling progresses properly.

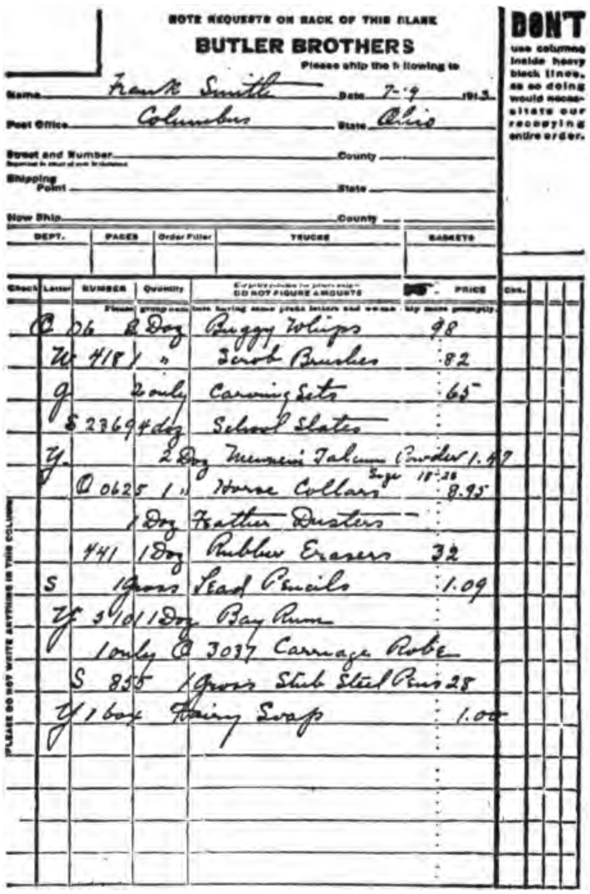
What is a good system for buying in the best way and with the smallest expenditure of time and energy?

Let's begin at the beginning.

If you are opening a new store, the best thing is to buy your stock in person from samples on display at your jobber's. Then, having formed the habit of coming to market, keep it up at intervals of at least once a year. Coming to market is one of the most profitable and resultful habits any merchant can form. It gives him

an opportunity to compare goods and values that he otherwise would not have. It broadens him. It makes him a better authority on merchandise. And no merchant can know too much about merchandise.

THE WRONG WAY



NOTE REQUESTS ON BACK OF THIS BLANK

BUTLER BROTHERS

Please ship the following to

Name Frank Smith Date 7-9 1913

Post Office Columbus State Ohio

Street and Number ______ County ______

Shipping Point ______ State ______

How Ship ______ County ______

DEPT.	PAGES	Order Filler	TRUCKS	BASKETS

Check	Letter	NUMBER	Quantity	DO NOT FIGURE AMOUNTS	PRICE
	C	26	2 Doz	Buggy Whips	98
	W	418	1 "	Scrub Brushes	82
	G		2 only	Carving Sets	65
	S	2369	4 doz	School Slates	
	Y		2 Doz	Mennen's Talcum Powder	1.47
		C 0625	1 "	Horse Collars Size 18-20	8.95
			1 Doz	Feather Dusters	
		441	1 Doz	Rubber Erasers	32
	S		1 Gross	Lead Pencils	1.09
	Y	3101	1 Doz	Bay Rum	
		1 only	C 3037	Carriage Robe	
	S	855	1 Gross	Stub Steel Pens	28
	Y	1 box		Fairy Soap	1.00

DON'T use columns inside heavy black lines, as so doing would necessitate our recopying entire order.

(PLEASE DO NOT WRITE ANYTHING IN THIS COLUMN)

How NOT to Fill Out An Order Blank

Then, keep in close touch with your stock and its needs by means of a daily stock report such as the one illustrated here. Let each clerk have a pad of these blanks.

At any point in the day's business when a clerk finds the store is

out of an item he should note it on the pad. Or he may see that the stock is low on certain lines. Or somebody may call for an item that you have not been handling. All this information should be listed on

THE RIGHT WAY

NOTE REQUESTS ON BACK OF THIS BLANK

BUTLER BROTHERS

Please ship the following to

Name *Frank Smith* Date *7—19* 191*2*

Post Office *Columbus* State *Ohio*

Street and Number *635 — 49th Street* County *Franklin*

Shipping Point *Columbus* State *Ohio*

How Ship *B & O. R.R.* County *Franklin*

DEPT.	PACKED	Order Filler	TRUCKS	BASKETS

DON'T use columns inside heavy black lines, as so doing would necessitate our recopying entire order.

PLEASE DO NOT WRITE ANYTHING IN THIS COLUMN

Check	Letter	NUMBER	Quantity	DO NOT FIGURE AMOUNTS	PRICE	Chk.
	O	06	2 Doz	Buggy Whips	.98	
	O	0625	1 Doz	Horse Collars-Sizes from 18-20	8.95	
	O	3037	1 Only	Carriage Robe	3.25	
	W	418	1 Doz	Scrub Brushes	.82	
	W.	1954	1 Doz	Feather Dusters	1.60	
	G	140	2 Only	Carving Sets	.65	
	S	2369	4 Doz	School Slates	.39	
	S	441	1 Doz	Rubber Erasers	.32	
	S	572	1 Gro.	Lead Pencils	1.09	
	S	855	1 Gro.	Stub Steel Pens	.28	
	Y	6021	2 Doz	Mennen's Talcum Powder	1.47	
	Y	5701	1 Doz	Bay Rum	.84	
	Y	4970	7 Box	Fairy Soap	1.00	

The Right Way to Order

one of the blanks and each evening these should be turned in to the person who does the buying.

This will give a natural, trustworthy check on the stock. Thus you will have part of the material necessary for making up your next day's order.

For dependable information as to goods and prices we refer you to "OUR DRUMMER." This will enable you to compare, compare, compare, and to know where to get the best goods at the most favorable price. If your comparison and weighing of the facts convince you that you can buy best from Butler Brothers, buy from Butler Brothers.

DAILY STOCK REPORT

March 3 191

Out of

5c Blown Tumblers

Low on

Cocoanut Bonbon Candy

Calls for

10c Household Paints.
in Cans — Different Colors

Signed by L J H

This Can Help You Order Wisely

But be sure to buy where you can buy to the best advantage. Don't let anybody tell you where this place is.

To get the best results from "OUR DRUMMER" you should study it in a systematic way.

Form the index habit. The catalogue index points you to the various departments. It also shows you where any particular item can be found. When making up a specific order for merchandise do

not leaf through the catalogue aimlessly and search for the items. Use the index!

This is a good place to make some suggestions, the observance of which will enable us to give the best service to our customers.

Note the photographs of order blanks reproduced herewith. In the "wrong way" you will see that the departments are mixed and that the order is not written as suggested by the blank. When an order is received in this shape it has to be re-written and thus there is a delay before it can be fed into the mill.

Pointing Out the Key to "Our Drummer"

Note the "right way." In this the various department letters are grouped and each division of the order is in its proper column. There is a blank line between each department. All the shipping instructions and other information is given. The order is ready to go right through. In this case the goods reach the customer more promptly.

The prefix letter in front of each number denotes the department to which the item belongs. By grouping together all items having the same department letter you will expedite the handling of your order.

In sending orders by mail please use our order blanks. Don't be saving of them. We have plenty more. Let us know when you are out. Never fail to give the proper prefix letter with each number. Use the price column for prices only.

Do not order smaller quantities than those listed in the catalogue. Each description tells whether the item comes in "each" quantity or in other quantities such as one-sixth of a dozen, one-half of a dozen, 2 dozen and so on. Packages cannot be broken. Merchandise is sold only in such quantities as the catalogue indicates.

When you send in other correspondence with your order, use a separate sheet of paper.

Some merchants find it to their advantage to check up the various departments of the store each day by the catalogue. For example, reading from the catalogue you can call out to a clerk various items listed, perhaps, under the head of Dry Goods. As the item is called, the clerk can see that it is properly displayed and properly priced. If the checking up shows that the item is out or nearly out that can be made a part of your next day's order.

The same plan can be worked in any department. It will afford you an invaluable means of keeping in close touch with your stock. The merchant who keeps close to his stock is not likely to overbuy.

CHAPTER XII.

Laws You Ought to Know

MERCHANT SMITH (we are calling him Smith because that isn't his name) thought he could see in various premium deals the means of increasing his business.

So he went after them.

Among the other things Mr. Smith utilized in his trade-getting campaign was a guessing contest whereby somebody was going to get a set of dinnerware for ten cents. There was nothing dishonest about the proposition. The advertising matter explained every detail and everybody knew exactly what to expect. The deal involved some such proceedings as giving a ticket with each ten cent purchase. At a certain time, if the number on any of these tickets corresponded with the number in one of the pieces of dinnerware the holder would get the set upon the payment of ten cents.

Perhaps Mr. Smith would be conducting similar contests now, if this plan had not gained such a big response and brought so large a crowd.

It was such a lively thing that one of his competitors was inclined to be jealous over his success in bringing in the crowd. Or he might have had a high minded objection to all business-bringing plans involving an element of chance. Anyway, no matter what his motives, he got Mr. Smith into a peck of trouble.

Mr. Smith was informed a few days after his dinnerware exploit that he was about to face prosecution for violation of the state anti-lottery law! He was amazed. Such a thing as violating any law had never for a moment entered his mind. He would not believe he had done any such a thing and ascribed the whole matter to the other merchant's jealousy.

His lawyer went over the case with him thoroughly and declared he had violated no law. A fight was decided upon. The thing went

into the courts and the merchant was fined. The fine didn't amount to much, but the loss in standing was serious.

It might be said, if a person wanted to be critical, that the court leaned backward in its construction of the law which wasn't any too plain.

One of the merchant's friends, who was inclined to believe the court had made an error, wrote to the attorney-general of the state. Of course, he did not give the merchant's name or recount any of the actual experience of the case. He stated to the attorney-general a hypothetical case involving a scheme similar to that tried by Merchant Smith. He asked the state official for an opinion as to a person's liability under the state anti-trust law if he sold under such a plan.

The attorney-general promptly replied there was no question in his mind that the state law would be violated in such a case. He quoted several decisions in support of his position.

Well, what is the answer?

Just this:

Merchant Smith, before starting any plan of the kind, should have known the laws of his state. True enough, not one time in a thousand would anybody be likely to complain, but no self-respecting man wants to violate even the spirit of any law.

It would have been an easy matter for Mr. Smith, had he any doubt at all as to the legality of his plan, to have conferred with an attorney or to have written the attorney-general. The attorney-general is the hired man of the people of the state. Mr. Smith therefore had a right to ask him a question and to expect an adequate answer.

In some states almost anything in the way of contests or premium deals are legal. In others the restrictions are correspondingly stringent.

Even the use of trading stamps is not legal everywhere. In some states the anti-lottery laws are so stringent that almost any sale plan having in it an element of chance is absolutely illegal.

Straight out lottery schemes are so few these days that a person hears very little of an anti-lottery law. Every man knows it is against the law to steal or to be married to more than one wife at the same time. So many people are committing these errors and

are being punished for them that the penalty is well known to everybody. But how long has it been since you have heard of anybody convicted of running a lottery? Consequently, it is nothing to be wondered at that there may be some little point in the state anti-lottery law buried under a mass of legal verbiage that may stamp as illegal some little innocent-appearing selling scheme you feel like trying.

The way to be sure is to find out. Ask the attorney general. It will cost you nothing.

If a question of mere honesty is involved, you know what to do. Every man knows whether he is being straight with another man. But many an honest man, with the purest of motives, has unknowingly violated some law with which he has not been acquainted.

Of course, no average merchant is going to be a walking encyclopedia of law. Neither is this book a treatise on law. But what we would have you remember is, that anything you do not know about law as affecting your business you certainly can find out without charge by going to the servants of the state or national governments who are paid to answer such questions as you may want to ask.

This is as important for the protection of a merchant's interests as it is to keep him absolutely law abiding.

Many times the merchant suffers loss through not only his own lack of knowledge of the law, but also because those who are paid to know it do not know it.

Take, for instance, the post office laws.

A surprisingly large number of merchants have gotten into difficulties over the mailing of store papers, because neither they nor the postmaster knew just what should be done under the circumstances. Merchants have written us complaining that the postmasters in their town, would not allow them to mail a store paper without putting it in an envelope. It is absolutely within the merchant's right to put a stamp and address on the outside of his store paper and have the paper delivered by the United States government. But the postmaster imagined that such was against the law and refused to accept the papers unless they were placed in envelopes or wrappers. Every merchant who gets out a store paper knows it has a much more unique pulling power when it can be

mailed practically as a regular newspaper. And so it has been our pleasure to put merchants right in many instances regarding this and to persuade them to write to the Post Office Department in Washington for rulings in their case.

Nobody, unless his work requires it, is going to be an authority on post office law. But he certainly should make use of the post office department's facilities for information whenever there is anything he wants to know or whenever he has doubt concerning any point.

For example, it is not generally known to merchants that they can get second class mail privileges for their store papers—and thus pay 1 cent a pound for mailing instead of 1 cent each.

The way to do this is to have a bona fide paid up subscription list. You can charge anything you like for your paper from a penny a year up. Just so you are charging something and keep your list paid up you are within the pale of the law.

If you want to gain second class privileges for your paper go to your postmaster and make the necessary application. He will have the blanks. If you are on friendly terms with him he can do a great deal in facilitating the passage of the matter through the department and getting the desired permission. Most postmasters are up to date and know what they are supposed to be doing. You may, therefore, depend upon what they say. If, however, your postmaster is like some and is not acquainted with his job you can easily get the thing set right by writing to the Post Office Department at Washington.

Postal laws are very stringent. You can go so far and not an inch farther. But, owing to a general lack of understanding of the postal laws, some merchants fail to go as far as they can with perfect legality and circumspection. Know your laws. Know your privileges.

In these days when Congress is so busily engaged in regulating business it is more than ever the duty of every business man to keep well acquainted with laws which may affect him.

There are the internal revenue laws. There is the income tax.

Are you liable for income tax? Every man, woman and child in the country whose income exceeds three thousand dollars a year is obliged to make a report to the government as to his income. If your store is run by a corporation, the corporation must make a

report of the concern's income. If your business is a co-partnership, each partner must report regarding his share of the income. But even at that, the government can demand a report of the entire business if it chooses, whether the store be owned by a corporation or a co-partnership.

Write the internal revenue collector of your district. He will send you blanks. He will tell you all you have to do. Be sure to keep on good terms with your Uncle Samuel. He is valuable as a friend, but terrible as an enemy.

Government laws as affecting business are better known than state laws. Perhaps this is because people have more respect for the government on account of the more rigid enforcement of the laws.

But ignorance of the state laws is no more excuse than lack of knowledge of federal laws.

Even in so well known a thing as law regarding partnerships and corporations more than one otherwise well informed person has gone wrong.

Do not call your concern a corporation unless you have a charter from the state. Otherwise you may find yourself in trouble some day, even though you may not have had a single improper motive.

The usual state law is such that a person or firm can use the word "company" without being incorporated if the words "not incorporated" also form a part of the name. If you call yourself the Smith Trading Company and have no charter from the state you are violating the law. If on the other hand, you call yourself the Smith Trading Company (not inc.) you are proceeding legally.

Charter laws differ. To be on the safe side and to know absolutely what you are about, write the secretary of state.

Some important business laws are understood in the main and yet unknown in some very essential, though seemingly minor, particular.

Take the law regarding promissory notes.

Everybody knows a promissory note signed and delivered on Sunday cannot be collected by the payee. But did you know the payee could endorse the note over to another who did not know it was made on Sunday, and thus make it collectable? Such is the case.

Much litigation has arisen from contracts and other legal papers executed on Sunday. The net result of this has been to establish that in most cases a transaction closed on Sunday will not hold good if either party wants to contest. If, however, a deal is started on Sunday and is not consummated until Monday or some other week day, it holds good.

It is a safe proposition, generally speaking, to wait until some ordinary business day to make any transaction that has to do with a signed paper.

A similar restriction holds as to legal holidays, although the law is not so stringent as regards holidays.

Other laws come up frequently to pester the retailer.

Did you, for instance, ever sell goods to a minor and then find you could not collect for the same?

It often is the case that a youth or girl under twenty-one (or in some states eighteen) misrepresents his age and obtains goods. When pay day comes, the creditor finds to his chagrin, that he cannot collect.

It is a safe proposition never to charge goods to minors unless you have the written consent of their parents or guardians.

This distinction has been so finely drawn on numerous occasions that the merchant seems usually to get the worst of it. Some states have laws prohibiting minors from telling lies about their age in order to get credit. Is there such a law in your state?

Know the law in your state as it affects your business.

We invite any customer of Butler Brothers to use us in this respect. We can tell you what to do or direct you to others who can tell.

CHAPTER XIII.

Freight and Drayage

IN a far western town, where freight represents a considerable part of the cost of merchandise, dwelt and prospered a certain variety merchant.

When this merchant paid a freight bill—it usually was a large one, too, as he bought much merchandise—how do you think he would charge up the money?

Would he make it part of the cost of his goods?

Not he!

He called his freight "expense" and put upon his expense account a heavy burden representing ten or fifteen per cent of his buying cost.

The drayage charges went the same way—to expense.

"Well, what's the difference?" he impatiently asked when it was suggested that the cost of freight and drayage was really a part of the cost of goods and should be charged as such. "I make due allowance for the expense of doing business when I place a retail price on my goods. In this way I get back what I pay for freight. What's the difference, I'd like to know, whether I get this money back by charging it to expense or to the cost of the goods?"

His reasoning was right—so far as it went. A man can prove almost anything if he doesn't take into consideration ALL the facts.

But let's see where this man's reasoning—if you could call it that—led him to.

A few months ago he sold his store. He didn't have to sell. But he had saved some money and was quite willing to retire when he had a favorable opportunity to do so.

He got what he regarded a fair price for his goods. When the transaction was closed and the title passed he wondered at the

enthusiasm of the purchaser, who evidently was more than pleased with the result of the transaction.

What was it that made the purchaser glad?

Oh, nothing much. Only he had bought that well selected, salable, clean stock of goods at the INVOICE VALUATION of the same—just what the jobber charged the retailer.

You get the point, of course. These goods cost the merchant fully fifteen hundred dollars more than he got for them—cost him that in freight.

To every dollar's worth of goods in his store he should have added fifteen cents for freight and drayage. That dollar's worth cost him not a dollar, but a dollar and fifteen cents. And he sold it and each of the other dollar's worth for a dollar.

The practice of charging freight to expense is dangerous. The freight you pay is part of what the goods cost you. Don't forget this.

Remember the freight. Remember the freight.

If you don't, you cannot intelligently price upon your goods in a way that will insure fair profit returns.

This matter of freight is much like bookkeeping. It has to do with figures. And as such it causes many a retailer to stand somewhat in awe.

It is by far too common a thing for busy merchants to pay freight charges a great deal like the average person pays his gas bill—without proper checking up.

"Why," writes a friend of ours, "I got to thinking over this matter of freight after reading an article in The Butler Way. And I was amazed to see how careless we have been in the matter of presenting claims to the railroads for shortages and damages. I really think we have lost several hundred dollars in the last two or three years this way. I put on my hat and went out to call on other merchants while the mood was upon me. I found them about as careless as we are. You ought to give us more good hot articles on this subject. It will help wake up thousands of merchants and make them realize that they are throwing away much hard earned money by not giving adequate attention to these seemingly unimportant details."

Our friend is right.

Freight is something that every shipper ought to understand. The larger mercantile firms generally are so awake to the importance of freight that they maintain traffic departments, or at least some one man in the concern gives earnest study and attention to transportation charges.

It is our earnest wish that every one of our customers shall know what he should know about freight. We offer the services of the traffic department in each of our five houses to any one of our customers who require expert aid.

Meanwhile, let us consider the freight question to the extent of a few pages and see what we can find out.

Lack of acquaintance with freight matters causes many uninformed retailers to lose money in buying their goods.

They let the freight bugaboo scare them away from having goods sent to them from a distance. They fear the freight charges will eat up their profits.

A merchant is doing himself a positive injury if he does not make proper comparison—if he does not find out—before committing himself in a thing of this kind.

You undoubtedly compare prices and goods before you buy. This is proper. But do you compare freight rates?

Do you take freight into consideration when you buy—that is, do you KNOW what the freight will be and give this proper consideration in helping you make up your mind where to buy?

Remember a saving in freight is not necessarily a saving in cost. Get the thing right before you decide. This is for your best interests.

Almost any merchant located at a distance from any one of our five houses, if he does not buy goods from Butler Brothers, will give as a reason that he is so far from us that the freight charges would eat up his profit. For this reason he buys from a local jobber without due consideration of values. The freight bugaboo scares him into buying unwisely—into spending his good money for merchandise that he does not KNOW is the best value.

If any merchant can buy goods at home or near to home at prices as low as ours and still save on freight, there is where he ought to buy. We certainly should do the same were we in his position. Your local jobber should get the business when his DELIVERED COST beats ours.

Note the term—DELIVERED COST.

This is the only cost that should be considered. No cost of merchandise is complete unless the DELIVERY CHARGES are added.

The NET COST OF THE MERCHANDISE LAID DOWN IN YOUR FREIGHT DEPOT—this is what you want to consider in deciding where to buy.

To get the right idea of this net cost you will need to keep away from the fallacious idea that the prices of all wholesale houses are necessarily about the same and that successful buying, therefore, is a matter of pinching transportation to the smallest amount in dollars and cents.

If you can buy merchandise at a figure that will save you money even though you pay double or triple the amount in freight that you would pay if you bought from your local jobber, why not take the saving?

Why should you care who gets the money just as long as you can buy goods for less? YOU are the one you should look out for when it comes to buying.

A dollar spent is a dollar gone—no matter whether your jobber gets it for goods or the railroad company gets it for transportation.

A dollar spent for freight contains just one hundred cents—the same number contained in a dollar spent for merchandise.

You owe it to yourself to KNOW and not GUESS the laid down cost of goods in your town. You readily recognize it to be your duty and privilege to keep in close touch with merchandise prices. It is just as essential that you know freight charges. Combining the right kind of knowledge of these two, you then can KNOW and not GUESS where you can buy your goods so as to save the most money.

If this knowledge, if this investigation, if this careful study, if this comparison reveals to you facts and figures that cause you to buy from your local jobber, we have nothing more to say.

But we want you to KNOW. Then you can buy judiciously, resultfully, safely.

When a man comes to us and shows that he can cut the net cost of goods laid down in our houses it makes not the slightest difference to us where his factory is located—whether it be just across the street or in Japan. What we want is the lowest net price

and we get it. We get it through our knowledge of transportation charges as well as what we know of merchandise.

We are willing that you should apply in this matter the same test that we apply to those from whom we buy goods.

If our prices are enough lower than those quoted by the close at hand market to more than offset the freight, it stands to reason we ought to get your business.

Doubtless you will agree with us.

And don't forget this:

NO MATTER WHERE YOU BUY, YOU PAY THE FREIGHT JUST THE SAME.

Freight must be paid by SOMEBODY on every nickel's worth of merchandise in your store.

Who is going to pay this freight?

It would be a pretty fair guess to say YOU.

When buying from your local jobber you owe it to yourself to remember that his cost, like yours and like ours, MUST TAKE INTO CONSIDERATION FREIGHT CHARGES. He adds to his goods the cost of getting them into his store. And you pay this cost when you buy the goods from him.

This is nothing but sound business on the part of your local jobber. We charge for our merchandise on the same basis. You SHOULD charge for yours the same way.

But the point is, you pay the freight on those goods directly or indirectly—pay the freight to your town FROM THE PLACE WHERE THEY WERE PRODUCED.

You pay it directly when you buy at a primary market and pay the freight yourself.

You pay it indirectly when you buy from a local market and pay the larger cost of merchandise which includes the freight.

The thing is simple enough. It is a question of addition—nothing else. One or the other of these methods costs you less money. There cannot be the slightest doubt of this. Which is the least expensive for you? You cannot know until you investigate.

You cannot afford to buy of your local jobber merely because he says so. He is not doing a dishonest thing in telling you that your actual freight charges from his house are lower. It is possible

that they are—on the FACE of the transaction. But dig back to the primary market cost and then add the freight. This will give you the real inside facts as to where you ought to buy.

The thing is so easy, so simple, that it is more than a wonder that any merchant should be in the dark concerning it.

Why should you buy the bulk of your goods at primary markets, notwithstanding the fact that freight may be higher?

This is the reason:

Jobbers operating in secondary markets cannot from the very nature of things handle the large output which makes it possible to show practically inexhaustible open stock lines. They are unable to purchase goods in the tremendous quantities that enable them to secure the lowest prices.

This is where we win.

When we buy goods we join together the needs of all our five houses. This enables us in many cases to get price concessions that in themselves would make a satisfactory wholesale profit. Small jobbers cannot get these concessions for the very simple and sufficient reason that they do not buy, that they cannot buy, sufficiently large quantities.

A local jobber with a restricted outlay is obliged to buy in quantities that require him to pay prices so much higher than ours that the difference makes the matter of freight quite ridiculous.

Just make the comparison. Know exactly what you are doing. Then buy where you can buy at the lowest net cost.

For that matter, you really can MAKE A PROFIT on your freight.

MAKING A PROFIT ON FREIGHT.

Why pay out so much money for freight?

Many good merchants are guilty of ordering in such a way that their freight account—which should include freight, express, and parcel post—is much larger than it need be.

Note that we say GOOD MERCHANTS.

So you can very appropriately assume that we are talking to YOU now and not to the "other fellow."

If you could look over the several thousand orders received in each of our five distributing houses every day we think you would

be well convinced that there is much waste in freight charges that could just as well be eliminated.

Freight can be made to pay a profit. Let us prove it to you.

Out of every hundred average orders that come to us at least five and possibly ten call for so few goods that the transportation charges will eat up all possible net profit for the buyer.

We do not refer to the occasional emergency order which every store must send now and then to oblige some impatient customer.

We refer to orders that apparently call for goods carried in stock regularly, and of which not to order enough to make an economical freight shipment is sheer waste.

Our customers know how strongly we stand for the policy of frequent orders of moderate size as contrasted with that of occasional purchases in quantities. But that is not the point here. We are not even discussing the fact that we lose money on every shipment small enough to go by express or parcel post.

We are looking at the matter from YOUR standpoint. We are pointing out that YOU lose when you send us an order for a 50 lb. shipment when the same freight and cartage cost would have landed 100 lbs. at your door.

Our lines are so full of everyday staple sellers in low priced bulky goods that you cannot afford NOT to include enough of them to make your shipment reach the 100 lb. minimum.

In the hurry of business it is easy when the want list shows but a few items or some good seller runs out unexpectedly to say "send by express."

In this connection it may interest you to know how carefully we vise all express charges for goods coming into any one of our houses.

Generally speaking we, like you, make a profit only on goods that come to us by freight. THE HIGH COST OF EXPRESS SHIPMENTS EATS UP ALL THE NET PROFIT.

In our houses every express ticket is a danger signal and we require that each bear the O. K. of the department manager as assurance that he has personally investigated the circumstances which led to the ordering of the goods to come by express.

In any business it is well for the head to have everyone understand that he will not be pleased when goods are permitted to come

in by the expensive method except after it was impossible to include a few more and have them come by freight.

For the making of a profit out of freight, here is a suggestion you would do well always to observe:

Strive to have EVERY SHIPMENT large enough to come by freight, with a minimum weight of 100 lbs.

It is entirely practicable and well within the limits of safe and sane buying to fill out an order so that the shipment will be an economical one from a freight standpoint.

It is advisable also to endeavor to order several goods of one class o makte a case.

For example, hardware takes a lower rate than dry goods. And if you order only one or two or three items of hardware it may be necessary to pack them with the dry goods. In that event the railroad company will feel justified in collecting charges on dry goods. A separate box for the hardware would save freight expense—if there are enough goods for a separate box.

Giving some attention to this matter of classification will save you a great many dollars. For freight purposes, the country is divided into four sections—Official, Western, Illinois and Southern. The classes into which most of our goods fall are shown by the following table:

	Off.	West	Ill.	South
Bags, paper	3	3	3	5
Bicycles	1½	1½	D1	D1½
Books	1	1	1	1
Brushes, fiber	2	2	2	2
Candy, N. O. S. (order 25 lbs.)	1	3	1	4
Cash Registers	1	1½	1	1
Chinaware	1	1	1	1
Cigars	D1	1	1	3x1
Clocks	1	1	1	1
Clothing	1	1	1	1
Crockery	3-20%	2	4	4
Cutlery, not plated	2	2	1	1
Dry Goods	1	1	1	1
Enameled Ware, nested	2	2	2	2
" " " solid	2	3	2	2
Fancy Goods	1	1	1	1
Furniture-Bureaus	1	1	1	2
Chairs	2½x1	D1	D1	1½
Desks	1	1	1½	1
Iron Beds	2	2	2	2
Mattresses and Springs	1½	1	1	2
Glassware, N. A. S	2-15%	2	2	2
Hats and Caps	1	1	1	1
Hardware	3	2	3	2
Hammers	3	2	3	2
Hatchets	3	2	3	2
Hollow Ware	3	2	3	3
Saws	3	2	3	2
Screws	3-20%	2	3	2
Tools	2	2	2	2
Wire Goods	D1	D1	D1	1½
" " nested	1	1	1	1
Horse Goods-Harnesses	1	1	1	2
Horse Clothing	1	1	1	1
Saddles	1	1	2	1
Whips	1½	1½	1½	1
Mirrors	1	1	1	1
Musical Instruments	1	1	1	1½
Notions-Pocket Books, Combs, Perfumes, Pipes, etc	1	1	1	1
Paints in buckets and kits	3	3	4	4
Pictures and Paintings	1	1	1	1
Safes	3	3	3	3
Sewing Machines	1	1	1	1
Silverware	1	1	1	D1
Soaps—Laundry, Toilet	5	4	5	3
Sporting Goods-Ammunition	1	2	2	1
Bicycle Sundries	1	1	1	1
Camera Supplies	1	1	1	1
Fishing Tackle	1	1	1	1
Guns	1	1	1	1
Stationery	1	1	1	1
Tablets, paper	2	3	4	3
Tables, K. D. 2nd	1½	2	1	1½
Tinware	1	1	2	2
" nested	2-15%	2	3	2
" " solid		3	3	2
Toys	1	1	1	1
Trunks and Bags	1½	1	1	D1
Woodenware	1	2	3	3

★In official classification crockery takes 3d class rates less 20%

Systematizing your freight to conform with these classes will help you make a profit out of your freight charges.

You should secure from your local railroad agent information as to freight rates and have him show you how freight is figured

so you will be able to audit your freight bills. Railroad people make mistakes as well as others.

Here is a good example of a freight bill showing three classes and three rates for as many different kinds of goods:

Items	Weight	Rate	Charges	Total
1 case Dry Goods..........	120 lbs.	60	.72	.....
2 cases Hardware..........	90 "	50	.45	.....
1 bdl. Forks...............	30 "	40	.14	$1.31

Care in the matter of freight and drayage should extend to the selection of your drayman. If there is more than one in the town choose the one who has the best reputation for honesty and reliability. The drayman acts as your agent in receipting for freight. If he signs for something you do not get you are responsible. Therefore, have somebody who looks after his business in a businesslike way.

It is an asset also to be friendly with the railroad station agent. He can often favor you with quick deliveries or give you good advice that will save you money. The same can be true of your express agent and the postmaster.

CHECKING SHIPMENTS.

A space should be set aside in the rear of your store or in the basement for the purpose of receiving and unpacking goods.

Merchandise should not be disturbed until the invoice can be checked and the goods placed in stock. Unpacking on the sidewalk or in the alley is a bad practice, because you are likely to be interfered with and there is chance for theft. Unpacking in the middle of the store is almost as bad. Such a plan is mussy and inconvenient and involves a risk of putting items in stock before they are checked off on the invoice.

Before unpacking the goods compare the cases with the bill of lading that usually is attached to the invoice. Also compare the cases with your freight bill to see that the railroad company has delivered to you all the cases mentioned in the bill. It frequently happens that railroads mix up shipments and draymen have the

uncomfortable habit of delivering boxes to the wrong merchant. If you discover that any cases are missing notify the railroad agent immediately. Then check the invoice carefully and write to the shipper telling what case and what items are short.

NEVER TRY TO CHECK TWO SHIPMENTS AT ONE TIME.

Under our plan of shipping merchandise original packages are included on the invoice by such words as 1 bbl., 1 crate or 1 case after the name and the item.

If the cases or barrels are damaged, if there are any boards loose, if the contents of the case rattle, loss or theft is indicated. Before you unpack such goods notify the railroad agent. Insist on his coming to see the case. Then you will have the basis for a claim.

If such damage or theft is not noticed until the cases or barrels are opened, ask the railroad agent to call or send somebody to inspect the goods and make proper notation on the freight bill.

Now for the unpacking. Be careful about this. Use a nail puller and a box opener. Don't knock in the heads of barrels. This is likely to damage the goods.

When a case is opened take the invoice and check off each item, placing the goods to one side. There is a right and wrong way to check goods and it is surprising how many will use the wrong method. Unless you check off each item by itself and place it to one side you cannot be sure that your checking is correct. Merely glancing down the invoice and looking over the goods in a general way without actually checking each item is not safe or fair either to yourself or the shipper.

If an item appears short on the invoice there frequently is something over in its place. It may be that the error was caused in copying the name of the item on the invoice. This occurs so frequently and so many find it difficult to check goods with invoices that we have adopted the practice of giving an item number on the invoice in addition to the stock number. The item number appears on the left hand margin of the invoice opposite each item. This same number is checked with pencil or crayon on the package containing the item. Some goods such as crockery, tinware and enameledware are generally not marked with either the item or stock number. Consequently, these are difficult to check. Claims for shortage are much more frequently made on such goods. Crockery

and china are especially difficult to check for one who is not familiar with the goods.

However, be sure you are right about any shortage before making claims. All wholesale houses employ experienced checkers, and orders are carefully checked before shipping. This reduces the chances for shortage to a minimum.

UNPACK ONE CASE AT A TIME. Get it and its contents out of the way before starting on the next one. Be sure nothing is left in the case. It frequently happens that merchants report goods short and afterward find them in the bottom of the case among the packing material. One of our houses bought some empty packing cases from a city customer and found in them three items he had reported short. Of course, he had made the claim in good faith. But he had not been careful in his unpacking.

If while unpacking a certain case you find in it only one package of an item and more is charged on the invoice you doubtless will find the balance in one of the other cases. Confusion may be caused through efforts to find each item of an assortment on the invoice, where the merchandise is billed as one assortment. In a case of this kind take the issue of our catalogue from which the assortment was ordered and check up the items by it.

Loss of goods through theft in transit is not at all uncommon. At times goods are stolen and the case is carefully renailed to avoid detection. If you find any such evidences in your case report to the railroad agent at once. Be sure you do not destroy your cases, especially the markings on them, until the shipment is checked up.

Now, as to claims. When you have found an error in a shipment do not be backward in presenting the claim. Some think they will be called kickers and the like if they make claims. We welcome every just claim and endeavor to satisfy every customer who has a complaint.

Here is a point you should remember in considering claims:

AFTER THE GOODS YOU HAVE ORDERED HAVE BEEN DELIVERED BY THE RAILROAD COMPANY YOU ARE LEGALLY THE OWNER OF THE GOODS. Therefore, claims filed by the shipper must be in the capacity of agent for you. It generally costs from fifty to seventy-five cents to file and collect a claim from a railroad company. It is not advisable therefore to file claims for smaller amounts than one dollar.

When you file your claims with the railroad, it is necessary to supply the agent with your receipted freight bill, your bill of lading and in case of damage or shortage a copy of the invoice. The freight bill should always bear a notation by the agent such as "bad order" or "shortage," as the case may be. The time to cause him to put such a notation on the freight bill is during the unpacking as spoken of above. You can't file a claim with a railroad company until the freight bill is paid.

Refusing Shipments—It is not businesslike to refuse to accept shipments. Remember, the railroad company does not own the goods. They are yours. And if you will not pay the freight charges the shipper is responsible. This can easily be seen to work an unjust hardship on the shipper.

Refusing shipments causes inconvenience and loss all around. The railroad company will positively not consider a claim of any kind until the goods are delivered and the freight bill paid. Therefore, always accept the goods when you are notified of the arrival of a freight shipment. Also pay the freight bill. In accepting the goods and paying the bill you do not in any way resign your rights to any adjustment. In fact the settlement will be simplified and hastened by such an act on your part.

Railroad claim departments are closely checked up by the Interstate Commerce Commission. Therefore, no deviation from the regular rules regarding claims will be tolerated.

Returned Goods—We are responsible for our mistakes. In fact, we bear the burden many times of the mistakes of others. We always are ready to rectify any error of omission or commission. But we think it only just that we be given an opportunity to see if we can make recompense for the error at a minimum loss to ourselves. In other words, we should be privileged to settle our mistakes, as far as possible, in our own way.

Most merchants are fair—more than fair—on the returned goods proposition. But there are some who, probably because they do not give the matter adequate consideration, do not act in this respect in accordance with the Golden Rule.

It sometimes happens that goods are hustled right back without any word of explanation. This works a totally unnecessary hardship which could just as well be eliminated. Courtesy in busi-

ness never fails to gain its reward. Valid claims made in the right spirit are sure to be adjusted.

Should it so happen that you receive goods from us that you do not want or cannot use, what is the courteous and fair thing to do?

Some of our good friends who once in a while have found it necessary to return goods doubtless have reasoned something like this:

"My friend has made a mistake. Of course, it must be adjusted. Now what can I do to make this adjustment satisfactory to myself and yet involve a minimum loss for my friend?"

Reasoning on this basis, the customer writes us a brief statement of the situation and asks what he shall do with the goods. It goes without saying that he is going to be fairly dealt with and that he will be satisfied. We would not have it any other way. It frequently happens, however, that when we are notified in this manner we are able to make some sort of adjustment regarding the goods that reduces our own loss.

It is just as easy for the customer in either case, inasmuch as he is certain of a satisfactory settlement. And it is much more convenient and satisfactory to us.

Do not, therefore, send back goods until you have written us and given us a chance to make adjustment.

When sending back goods always be sure to put your name and address on the shipment. If they are being returned through no fault of the shipper the return charges should be prepaid.

Remitting for Goods—When remitting for a bill take note of the terms as given on the invoice or statement and abide by them. You should always state what invoice or invoices you are paying, giving the dates and amounts, the amount of discount deducted and any credits with their dates and amounts. Turn back to the bookkeeping section and note again the form given there for paying invoices.

If some claim is to be deducted from your remittance be sure it is properly expressed so it will be understood by the person receiving it. Bothersome correspondence thereby will be avoided. If you want to save your discount or a claim on a part of a certain invoice pending, you can remit for the invoice less the value of the claims and the discount will be allowed in that proportion.

There are many mistakes made in accounts due to a merchant deducting certain items such as returned goods when he makes payment of his account. In such a case he later receives a credit memorandum and in his next remittance he is likely to deduct the amount again, forgetting that he has taken the credit before.

A similar error even occurs when a full itemized statement of an account is rendered. These statements sometimes show credits applying on bills not yet due. Care should be taken, therefore, by the one paying the statement to see that he does not by mistake use the same credit twice.

It greatly simplifies matters if you pay each invoice in full rather than making payments on account. Your own bookkeeping is made much easier in this event and the likelihood of complications and mistakes is vastly decreased.

SOME DON'TS AND SOME DO'S.

Here are a few little suggestions regarding freight, unpacking, and the like which will bring satisfaction to everybody concerned if they are well observed:

DO NOT knock in the heads of barrels. Loosen the top hoops and pry out the head.

DO NOT set a case off in a corner or put it with others where it may be forgotten.

DO NOT try to check two shipments at the same time.

DO NOT destroy cases until you are sure the shipment checks properly.

DO NOT return goods until you have been so authorized by the shipper.

If weights seem to be excessive insist on having the goods weighed before you take them away from the station.

Accept all goods that are consigned to you and pay the freight. This is the quickest way to obtain a satisfactory adjustment.

Remember the railroads charge you for one hundred pounds no matter how much less than that amount you have.

When writing about an invoice remember to state the date and the numbers appearing at the top of the invoice.

SHORT CUT IN FIGURING EXPRESS CHARGES.

[For Explanation See Page 203.]

Lb.	.60	.75	.90	1.00	1.15	1.25	1.35	1.40	1.45	1.50	1.55	1.60	1.70	1.75	1.80	1.85	1.90	1.95	2.00	2.05	2.10	2.15	2.20
1	21	21	21	21	21	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22	22
2	21	21	21	22	22	22	22	22	22	23	23	23	23	23	23	23	23	23	24	24	24	24	24
3	21	22	22	22	23	23	23	24	24	24	24	24	24	25	25	25	25	25	25	26	26	26	26
4	22	22	23	23	24	24	25	25	25	25	25	26	26	26	26	27	27	27	27	27	28	28	28
5	22	23	23	24	25	25	26	26	26	26	27	27	27	28	28	28	28	29	29	29	29	30	30
6	22	23	24	25	26	26	27	27	27	28	28	28	29	29	30	30	30	30	31	31	31	32	32
7	23	24	25	26	27	27	28	28	29	29	29	30	30	31	31	32	32	32	33	33	33	34	34
8	23	24	26	26	28	28	29	30	30	30	31	31	32	32	33	33	34	34	34	35	35	36	36
9	24	25	26	27	29	29	30	31	31	32	32	33	33	34	34	35	35	36	36	37	37	38	38
10	24	25	27	28	29	30	31	32	32	33	33	34	35	35	36	36	37	37	38	38	39	39	40
11	24	26	28	29	30	32	33	33	34	34	35	35	36	37	38	38	39	39	40	40	41	41	42
12	25	27	28	30	31	33	34	34	35	36	36	37	38	39	39	40	40	41	42	42	43	43	44
13	25	27	29	30	32	34	35	36	36	37	38	38	39	40	41	41	42	43	43	44	45	45	46
14	26	28	30	31	33	35	36	37	37	38	39	40	41	42	42	43	44	44	45	46	47	47	48
15	26	28	30	32	34	36	37	38	39	39	40	41	42	43	44	45	45	46	47	48	48	49	50
16	26	29	31	33	35	37	38	39	40	41	42	42	44	45	46	46	47	48	49	50	50	51	52
17	27	29	32	34	36	38	40	40	41	42	43	44	45	46	47	48	49	50	51	51	52	53	54
18	27	30	33	34	37	39	41	42	42	43	44	45	47	48	49	50	51	51	52	53	54	55	56
19	28	30	33	35	38	40	42	43	44	45	46	47	48	49	50	51	52	53	54	55	56	57	58
20	28	31	34	36	39	41	43	44	45	46	47	48	50	51	52	53	54	55	56	57	58	59	60
25	30	34	37	40	44	46	49	50	51	52	54	55	57	59	60	61	62	64	65	66	67	69	70
30	32	36	41	44	48	51	54	56	57	59	60	62	65	66	68	69	71	72	74	75	77	78	80
35	34	39	44	48	53	57	60	62	64	65	67	69	72	74	76	78	79	81	83	85	86	88	90
40	36	42	48	52	58	62	66	68	70	72	74	76	80	82	84	86	88	90	92	94	96	98	100
45	38	45	51	56	63	67	72	74	76	78	81	83	87	90	92	94	96	99	101	103	105	108	110
50	40	47	55	60	67	72	77	80	82	85	87	90	95	97	100	102	105	107	110	112	115	117	120

SHORT CUT IN FIGURING EXPRESS CHARGES.

[For Explanation See Page 203.]

Lb.	2.25	2.30	2.35	2.40	2.45	2.55	2.60	2.65	2.70	2.75	2.80	2.90	3.00	3.05	3.15	3.20	3.35	3.40	3.50	3.60	3.70	3.75	3.80
1	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	23	24	24	24	24	24	24	24
2	24	24	24	24	24	25	25	25	25	25	25	25	26	26	26	26	26	26	27	27	27	27	27
3	26	26	26	27	27	28	27	27	27	28	28	28	28	29	29	29	29	30	30	30	30	31	31
4	28	28	29	29	29	29	30	30	30	30	30	31	31	31	32	32	33	33	33	34	34	34	34
5	30	30	31	31	31	32	32	32	32	33	33	33	34	34	35	35	36	36	36	37	37	38	38
6	32	33	33	33	33	34	34	35	35	35	36	36	37	37	38	38	39	39	40	40	41	41	42
7	34	35	35	35	36	36	37	37	37	38	38	39	40	40	41	41	42	42	43	44	44	45	45
8	36	37	37	38	38	39	39	40	40	40	41	42	42	43	44	44	45	46	46	47	48	48	49
9	38	39	39	40	40	41	42	42	42	43	43	44	45	46	47	47	48	49	50	51	51	52	52
10	40	41	41	42	42	43	44	44	45	45	46	47	48	48	49	50	51	52	53	54	55	55	56
11	43	43	44	44	45	46	46	47	47	48	49	50	51	51	52	53	55	55	56	57	58	59	60
12	45	45	46	46	47	48	49	49	50	51	51	52	54	54	55	56	58	58	60	61	62	63	63
13	47	47	48	49	49	51	51	52	52	53	54	55	56	57	58	59	61	62	63	64	65	66	67
14	49	49	50	51	51	53	54	54	55	56	56	58	59	60	61	62	64	65	66	68	69	70	70
15	51	51	52	53	54	55	56	57	57	58	59	60	62	63	64	65	67	68	69	71	72	73	74
16	53	54	54	55	56	58	58	59	60	61	62	63	65	66	67	68	70	71	73	74	76	77	78
17	55	56	57	57	58	60	61	62	62	63	64	66	68	68	70	71	74	74	76	78	79	80	81
18	57	58	59	60	60	62	63	64	65	66	67	69	70	71	73	74	77	78	79	81	83	84	85
19	59	60	61	62	63	65	66	67	67	68	69	71	73	74	76	77	80	81	83	85	86	87	88
20	61	62	63	64	65	67	68	69	70	71	72	74	76	77	79	80	83	84	86	88	90	91	92
25	71	72	74	75	76	79	80	81	82	84	85	87	90	91	94	95	99	100	102	105	107	109	110
30	81	83	84	86	87	90	92	93	95	96	98	101	104	105	108	110	114	116	119	122	125	126	128
35	92	93	95	97	99	102	104	106	107	109	111	114	118	120	123	125	130	132	135	139	142	144	146
40	102	104	106	108	110	114	116	118	120	122	124	128	132	134	138	140	146	148	152	156	160	162	164
45	112	114	117	119	121	126	128	130	132	135	137	141	146	148	153	155	162	164	168	173	177	180	182
50	122	125	127	130	132	137	140	142	145	147	150	155	160	162	167	170	177	180	185	190	195	197	200

SHORT CUT IN FIGURING EXPRESS CHARGES.

[*For Explanation See Page 203.*]

Lb.	3.95	4.10	4.15	4.20	4.30	4.35	4.45	4.50	4.65	4.70	4.75	4. 95	5.00	5.20	5.25	5.40	5.65	5.80	6.00	6.45	6.50	6.55	6.60
1	24	24	24	24	25	25	25	25	25	25	25	25	25	25	26	26	26	26	26	27	27	27	27
2	27	28	28	28	28	28	28	29	29	29	29	29	30	30	30	30	31	31	32	32	33	33	33
3	31	32	32	32	32	32	33	33	33	33	34	34	34	35	35	36	36	37	37	39	39	39	39
4	35	36	36	36	36	37	37	37	38	38	38	39	39	40	40	41	42	42	43	45	45	45	46
5	39	39	40	40	40	41	41	41	42	42	43	44	44	45	45	46	47	48	49	51	51	52	52
6	42	43	44	44	45	45	45	46	47	47	47	48	49	50	50	51	53	54	55	57	58	58	58
7	46	47	48	48	49	49	50	50	51	51	52	53	54	55	55	56	58	59	61	64	64	64	65
8	50	51	52	52	53	53	54	54	56	56	56	58	58	60	60	62	64	65	66	70	70	71	71
9	54	55	56	56	57	57	58	59	60	60	61	63	63	65	65	67	69	70	72	76	77	77	78
10	57	59	59	60	61	61	62	63	64	65	65	67	68	70	70	72	74	76	78	82	83	83	84
11	61	63	63	64	65	66	67	67	69	69	70	72	73	75	76	77	80	82	84	89	89	90	90
12	65	67	67	68	69	70	71	72	73	74	75	77	78	80	81	82	85	87	90	95	96	96	97
13	69	71	71	72	73	74	75	76	78	78	79	82	82	85	86	88	91	93	95	101	102	103	103
14	72	75	75	76	77	78	79	80	82	83	84	86	87	90	91	93	96	98	101	107	108	109	110
15	76	78	79	80	81	82	84	84	87	87	88	91	92	95	96	98	102	104	107	114	114	115	116
16	80	82	83	84	86	86	88	89	91	92	93	96	97	100	101	103	107	110	113	120	121	122	122
17	84	86	87	88	90	91	92	93	96	96	97	101	102	105	106	108	113	115	119	126	127	128	129
18	87	90	91	92	94	95	96	97	100	101	102	105	106	110	111	114	118	121	124	132	133	134	135
19	91	94	95	96	98	99	101	102	105	105	106	110	111	115	116	119	124	126	130	139	140	141	142
20	95	98	99	100	102	103	105	106	109	110	111	115	116	120	121	124	129	132	136	145	146	147	148
25	114	117	119	120	122	124	126	127	131	132	134	139	140	145	146	150	156	160	165	176	177	179	180
30	132	137	138	140	143	144	147	149	153	155	156	162	164	170	171	176	183	188	194	207	209	210	212
35	151	156	158	160	163	165	169	170	176	177	179	186	188	195	197	202	211	216	223	239	240	242	244
40	170	176	178	180	184	186	190	192	198	200	202	210	212	220	222	228	238	244	252	270	272	274	276
45	189	195	198	200	204	207	211	213	220	222	225	234	236	245	247	254	265	272	281	301	303	306	308
50	207	215	217	220	225	227	232	235	242	245	247	257	260	270	272	280	292	300	310	332	335	337	340

SHORT CUT IN FIGURING EXPRESS CHARGES.

Lb.	6.80	7.20	7.40	7.85	7.90	8.05	8.25	8.65	8.85	8.90	9.10	9.20	9.25	9.30
1	27	27	28	28	28	28	29	29	29	29	29	29	30	30
2	33	34	34	35	35	35	36	36	37	37	38	38	38	38
3	40	41	42	43	43	44	44	45	46	46	47	47	47	47
4	46	48	49	51	51	51	52	54	55	55	56	56	56	56
5	53	55	56	58	58	59	60	62	63	63	65	65	65	65
6	60	62	63	66	66	67	68	71	72	72	74	74	74	75
7	66	69	70	74	74	75	76	79	81	81	83	83	83	84
8	73	76	78	81	82	83	84	88	89	90	92	92	92	93
9	79	83	85	89	89	91	92	96	98	98	101	101	101	102
10	86	90	92	96	97	98	100	104	106	107	109	110	110	111
11	93	97	99	104	105	106	109	113	115	116	118	119	120	120
12	99	104	106	112	112	114	117	121	124	124	127	128	129	129
13	106	111	114	119	120	122	125	130	132	133	136	137	138	138
14	112	118	121	127	128	130	133	138	141	142	145	146	147	147
15	119	125	128	135	135	138	141	147	150	150	154	155	156	156
16	126	132	135	142	143	146	149	155	158	159	163	164	165	166
17	132	139	142	150	151	153	157	164	167	168	172	173	174	175
18	139	146	150	158	159	161	165	172	176	177	181	182	183	184
19	145	153	157	165	166	169	173	181	184	185	190	191	192	193
20	152	160	164	173	174	177	181	189	193	194	199	200	201	202
25	185	195	200	211	212	216	221	231	236	237	244	245	246	247
30	218	230	236	249	251	255	261	273	279	281	288	290	291	293
35	251	265	272	288	289	295	302	316	323	324	333	335	337	338
40	284	300	308	326	328	334	342	358	366	368	378	380	382	384
45	317	335	344	364	366	373	382	400	409	411	423	425	427	429
50	350	370	380	402	405	412	422	442	452	455	465	470	472	475

EXPLANATION

The figures on this page and pages 200, 201 and 202 make it easy to figure the exact charge for an express shipment of any size and at any rate a hundred.

The bold face figures at the top of each column represent the charge per hundred. Then under each of these are figures showing what will be the charge under that rate per hundred pounds for shipments of 1 pound, 2 pounds and on up to 50 pounds.

For example, you have a one pound package to send to a place where the rate would be 60c per hundred pounds. First you find the figure 60 at the top of the column. Then under this you note the figure 1 representing one pound. The proper rate as you will see for one pound is in this case 21c. For two pounds it is also 21c. For eight pounds it is 23c. For 14 pounds it is 26c and so on.

Suppose the rate per hundred is $1.70. What would one pound cost in this case? Find $1.70 at the top of the column. The figure for one pound is given immediately under this which is 22c. For eight pounds it is 32c. For fourteen pounds it is 41c. For twenty pounds it is 60c and so on.

If the rate per hundred is $6.60 how much would one pound cost? The figure opposite to number one under the $6.60 column is 27c. A pound, therefore, would cost 27c. For eight pounds the charge under this rate would be 71c. For fifteen pounds it would be $1.16. For twenty pounds it would be $1.48 and so on.

CHAPTER XIV.

On the Operating Table

IT is good at intervals to put your store on the operating table. Strap it down so it can't get away and then dig right in. Find out what the matter is. Then fix it.

This "operating table" habit is a mark of the progressive merchant. The easy going fellow whose store is in a rut does not worry about knowing the exact inner conditions. He may take a perfunctory inventory once a year, guess at what he cannot find a reason for, and imagine he is getting along all right. He may be doing well at that. His store may be progressing on the lines it should. But on the other hand there may be some hidden defect in the store that will eat out its very life if permitted to remain.

Many an apparently prosperous store is menaced by some such secret trouble. Not until the thing catches hold at a vital spot and the sheriff is called in to repair the damage is the nature of the malady known.

The moral is this:

LOOK AFTER YOUR STORE'S HEALTH! When anything goes wrong, remedy it before the trouble gets beyond bounds.

Right here is the value of making complete statements to your creditors or your banker when called upon. These statements, which have been treated at length in previous chapters, often will indicate to the expert at a mere glance just what is the trouble. Or it is going to show a LACK OF TRUTH that will indicate where the defects are.

Certain customers of ours have formed the habit of drawing up statements showing where they stand and voluntarily sending them in to us for analysis and suggestions. We welcome such opportunities to be of service. Very often we have been able to suggest some things, after studying a statement, that have brought about a decided change for the better in that store.

Other merchants make up statements occasionally for their own instruction and tell nobody what they learn thereby. This is a highly desirable habit. It is of the utmost necessity that you tell yourself the whole truth about your store. Then it is a matter for you to decide whether you shall take others into your confidence—that is, unless conditions are such that you are called upon by your banker or creditor for a statement.

UP GOES THE DANGER SIGNAL.

In the case of a store that on its face shows evidences of profit, but that is really losing, nothing is quite so resultful as a trip to the operating table to find out the exact condition of things.

An illustration of this is seen in the following statement sent us by a general merchant:

RESOURCES.			
Fixtures		$3,123.00	
Accounts receivable		8,438.25	
Mdse. inventory		7,598.01	
Cash, on hand in bank		1,402.15	$20,561.41
LIABILITIES.			
Notes payable		$2,500.00	
Accounts payable		4,549.05	7,049.05
			$13,512.36
PRESENT WORTH.			
Mdse. sold	$31,558.22		
Mdse. Inv't	7,598.01		
Mdse. produced	$39,156.23		
Mdse. cost	31,889.24		
Gross Gain			$7,266.99
LOSSES.			
Insurance	$ 176.23		
Expense	1,908.33		
Int. and dis	44.48		
Freight	781.02		2,910.06
Net Gain			$4,356.93

This statement, on its face, shows a satisfactory net profit. But, like beauty, this profit is only skin deep. Get down under the surface and it will actually be found that the business is operating perilously near a loss.

After analyzing the statement item by item this is what we told the merchant:

"You have listed your fixtures at $3,123. Why so high? Your store for its size, must be one of the most elaborately equipped in your state or else the value you have placed upon the fixtures is fictitious. Fixtures, at what you consider to be their full value, have no place in a statement of this kind. A good plan of listing fixtures is to charge off 25 per cent the first year, 25 per cent the second year, 25 per cent the third year and then carry them at 25 per cent.

"The amount of your accounts receivable is dangerously large. You, of course, will collect a good part of this if you give the people enough time. But if things should suddenly come to a show down, the chances are you could not collect half of this $8,438.25.

"Your merchandise inventory looks reasonable enough for a business the size of yours. You apparently are not overstocked to any dangerous extent. Quite likely, however, you would be able to do the same amount of business with about $5,000 worth of merchandise—$6,000 worth, anyway.

"Your showing of cash on hand and in bank is extremely good. You apparently made this statement out at a very favorable time. It very likely is true that the next day or two saw you sending out checks for six or eight hundred dollars.

"Now for your liabilities. Your indebtedness is away too high, being about one-half of your quick assets. Your liabilities should never exceed one-fourth of your quick assets—possibly going up to one-third at such times as Christmas when you are purchasing heavily. Suppose your sales should fall off for only one month. Where would you be then, owing this amount of money?

"Your merchandise figures show a turn of about four times a year. This is very good in a store with a mixed stock like yours. But the showing is not so good when you consider that at least one of these turns was done on trust and that a good portion of it is in the form of bills which you will be very slow in collecting. Taking the uncollected bills out of consideration your turn is less than three times, which is only average, after all.

"Your showing for expense is remarkably low. You have not itemized this part of your statement. But if it takes in your own salary for operating the store you are accomplishing something

quite unusual. If you are not paying yourself a salary, you should do so, and charge it to operating expense.

"Your figures for the year's net gain make a good showing —on paper. When, however, you consider that you have charged an extremely high figure for fixtures and that a large portion of your resources is out in the form of bills receivable, and if out of this $4,356.93 comes your own salary for running the store, your net is not as high as it appears.

"We doubt, under the circumstances, if you have really made ANY net profit. We can't say positively because you didn't give us all the figures necessary.

"Your biggest problem, it seems to us, is to reduce your liabilities. This is an obligation that we can't urge upon you too strongly. We are doing you only a kindness when we say your present showing indicates that your business is in a perilous situation—or at least a situation that could become perilous very easily if the tide should turn against you even temporarily in the way of reduced sales or in other adverse circumstances.

"On the other hand, you are turning your investment well. Your operating expense is low and you certainly are showing the right spirit when you want to know the truth and the whole truth.

"You can adjust this unsatisfactory situation and be on the safe side. We know you can. This is why we are so frank in this discussion of your affairs."

Here are some questions we were asked recently by the senior partner of a firm having a $20,000 stock and doing a $50,000 annual business:

"What amount, considering the business we do, should we be paying out in salaries including salaries of three partners?

"How much for advertising?

"How much for rent?

"What net profit should we be making?

"What should be our total expense of doing business—including salaries, advertising, rent, light, heat, and all sundry expenses—in order to net a fair profit?"

Among other things, we wrote in reply:

"The data you give us about your business is rather meagre. We shall, therefore, have to be somewhat general in our reply.

"First, as to the amount you should be paying out for salaries. If you do a business of $50,000 in a year your salary list should not exceed 8 per cent of this amount, or $4,000. This would indicate that the amount of business you are doing is not sufficient to pay a very large salary to each of the three partners and maintain the other employes of the store as well. If you three gentlemen do all the work yourselves a $50,000 business is sufficient to pay each of you a moderate salary—say $125 a month each.

"The usual advertising expense for a store like yours should not exceed 1½ to 2 per cent on sales. All the way from $750 to $1,000 a year would be about the right amount for you to put out in this respect.

"The amount you should pay out for rent depends on the kind of location you have. If you are in the best location in town or near the best you can afford to pay out more for rent. It generally is the case that as the rent expense goes up the advertising expense comes down. In other words if you are well located you can advertise in your windows and will not have to pay so much out in printers' ink to get people to come down your way. Generally speaking, rent should cost not to exceed 4 per cent on sales. This would make your proper outlay for rent range from $1,250 to $2,000 a year.

"A fair estimate of the net profit you should be making, under the circumstances as you outline them, is about six or eight per cent. Six per cent would be a more likely figure. This would be $3,000 counting that you did a business of $50,000 in a year. To get this 6 per cent your goods must be sold at an average of 33⅓ per cent above cost. This net profit should be gained in addition to your salary. You should aim at 10 per cent plus salary.

"Your total cost of doing business ought not to exceed $9,000 a year or about 18 per cent on sales.

"You do not say how much merchandise you have in stock. Judging from the amount of business you are doing, your stock should not exceed $12,000 or $15,000.

"You are doing fairly well but, since you ask a frank opinion, we will say it is quite evident that your sales are too small, in proportion to the amount of capital you very likely have invested. In a word, your problem apparently is one of boosting your sales or reducing your stock.

Here is a statement sent in by a good sized hardware store:

February 1st, 1914:

Net inventory of stock	$20,047.12	
Merchandise purchased during 1913	36,217.70	
Paid for auto delivery car	525.00	
Expense operating the car	348.46	
General advertising	824.03	
Coal for fuel	177.19	
Drayage	441.54	
Taxes, electric lights, general expense	1,027.29	
Rent to ourselves for block we occupy	3,600.00	
Freights	886.45	
Interest	300.41	
Insurance	53.28	
Labor	7,269.96	
Net gain	2,237.94	
	$73,956.37	
Sales for 1913		$54,111.99
Inventory February 1st, 1914		19,844.38
	$73,956.37	$73,956.37

Building Block Valued $35,000.00

Rent received		$3,600.00
Paving alley	$ 70.10	
Taxes	879.44	
Insurance	95.70	
Improvements	750.00	
Net gain	1,804.76	
	$3,600.00	$3,600.00
Net gain in our business	2,237.94	
Net gain in our block	1,804.76	
Total net gain	$4,042.70	

Now where is this $4,042,70 total net gain? Here it comes:

February 1st, 1914:

Increased cash on hand	$ 327.97	
Increased ledger accounts	468.41	
Less owing on our stock	2,161.78	
Paid the balance on our block	2,000.00	
Paid dividends to ourselves	2,388.00	
Bills payable		$2,500.00
Petty accounts increased		600.72
Stock on hand decreased		202.74
Net gain		4,042.70
	$7,346.16	$7,346.16

This is a very interesting and complete setting forth of the store's condition.

The first thing that stands out strongly is the fact that the store is not selling nearly enough merchandise to warrant such a heavy outlay. The sales should be boosted or the expense and investment cut down.

Reasoning along these lines, here is what we wrote to the merchant in question:

"The presence of too much stock, considering the gross sales for 1913 is very evident. Your turnover on cost is about 2½ times and the inventory shown is far too large for the volume of business done. Is it absolutely necessary that you carry such a large stock? Or does your store need heroic treatment in the matter of special sales to cut down your investment?

"Taking out the improvements in real estate your showing is as follows:

Merchandise profits	$16,363.56	or	30.24	per cent on sales.
Operating expenses	14,125.62	or	26.10	per cent on sales.
Net merchandise profits	$ 2,237.94	or	4.14	per cent on sales.
Real estate profits	2,554.76	or	4.72	per cent on sales.
Total profits	$ 4,792.70	or	8.86	per cent on sales.

"Your operating expense of 26.10 per cent on sales is away out of line. It should not be above 20 per cent. Many merchants make it 18 per cent on sales.

"One item of this expense is $300 a month for rent. This figure is entirely reasonable on a valuation of $35,000 for the building, but it is extremely unreasonable considering the amount of business you do. This is about 7 per cent on sales. The limit should not exceed 5 per cent. You apparently are boosting your real estate investment at the expense of your store. You may argue that this makes no difference because you get the money in either event. It does make a difference, though, because your building is bound to depreciate. In ten years from now it may be worth $10,000 less and on that basis you are paying yourself too much rent.

"You have classed your freight and drayage accounts separately. These ought to go in with the cost of the merchandise. In that event you would not be so likely to deceive yourself.

"Your item for labor we presume refers to your own salary, clerk hire and the like. This is unreasonably high, being 13.4 per cent on your sales. The best authorities say anything over 8 per cent is risky.

"Your plan of charging the full cost of your auto delivery car, $525 against your 1913 profits is a very conservative one. An item like this could be spread over a period of say, four years, carrying the item as an asset, charging 25 per cent depreciation to profit and loss each year and crediting the asset account by that much.

"Your inordinately high selling expense is what keeps your net profit down to such a small basis. You have made only 4.14 per cent net profit on your merchandise during 1913. You ought to aim at 10 per cent, including salaries. You probably won't hit this mark, but you should aim at it. Even with your real estate added you have made only a fair net profit showing.

"Now let's consider your real estate account. You charge improvements $750 in this and then post it to profit and loss. Improvements should be carried against capital—that is against the real estate account—and depreciation of from 2 to 5 per cent should be charged against the real estate profit each year. Paving the alley is a wasting asset and might as well be charged off the first year.

"The taxes and insurance are proper items to be charged against your real estate profit and loss account. If you had charged 5 per cent depreciation on your building less the $750 spent for improvements your real estate profits of the year would be but $1,842.26.

"Now for the third section of your statement. It is difficult to do full justice to this without a list of your assets and liabilities. However, there is one item here which stands out very prominently. You say you paid $2,388 in dividends to yourself. The showing in your statement does not warrant any dividend at all. You are paying yourself a dividend when you are not entitled to it. This money should be left in your business.

"In your very liberal salary and dividends to yourself and in your high rental you either are deceiving yourself or your book figures are wrong.

"Your business is not economically conducted.

"You will either have to cut down your expenses and your stock or bring up your sales."

CHAPTER XV.

Waste

ABOUT fifty-seven times fifty-seven varieties of waste afflict the average store.

This waste—due to a lack of systematic accounting and business direction—makes null and void much of the energy and enthusiasm that otherwise would be resultful.

Many and many a merchant literally BEATS HIMSELF out of the success that he is entitled to. He may be honest in his dealings with others, but will beat himself.

YOU would not defraud any man. Yet, this very day you probably have beaten yourself out of pennies and dollars. Stop it. Begin right now to do the fair thing by yourself. YOU ought to be your own best friend. If you don't think enough of your business to deal by it honestly as far as YOU, the owner, are concerned—well, it won't be attended to, that's all.

Know your store to such an extent that you will know better than do things that are to your absolute detriment.

A certain merchant advertised a widespread invitation to his customers to take advantage of parcel post. He asked them to order goods by mail or telephone and agreed to pay the postage on any fifty cent purchase, no matter what the merchandise might be. His being a variety store, an offer like this is absolute folly. Suppose a customer should purchase fifty cents' worth of enameledware, fifty cents' worth of heavy table tumblers or fifty cents' worth of cups and saucers. If the merchant would send these things out by parcel post and pay the postage on them, the transportation charges would be considerably in excess of his profits. If his business in that line got very large it would make a serious or even fatal difference in his net profits.

This merchant is taking a serious loss merely to be accommodating. And the proceeds of such a loss do not mean much addi-

tional business as is the case with loss incurred through price advertising.

It is evident that he made his parcel post offer without fully investigating the proposition. He knew in a general way that the charges would be considerable. Yet, he had no idea they would be so heavy as to eat up the profit.

Have an inexorable system behind all your special advertising offers. If you are going to stand a loss, KNOW IT IN ADVANCE. Know exactly how much the loss is going to be. Then you can provide for it. That kind of a loss is the kind that makes the business grow. The other kind of loss—the kind that comes upon a merchant unawares—is the kind that sends him to the scrap heap.

Another great source of loss and waste is overweight and overmeasure. The average merchant is very careful that his scales will not underweigh and thus cheat the customers. But he is not so careful about overweight and thus cheats himself.

A certain state inspector of weights and measures in one month condemned 353 scales. What for—short weight? Only 25 per cent of these scales were condemned because they gave short weight. The fault of the other 75 per cent was that they WEIGHED TOO HEAVY!

According to this inspector's report it is just about three to one that YOU, Mr. Merchant, are CHEATING YOURSELF.

How about it?

Then, there is dishonesty. This is a thing nobody likes to talk about. Yet it is something that has to be dealt with. Many a well thought of man is really hiding behind a mask of assumed honesty. Snatch away this mask and you find a being crooked as Mother Goose's man who walked a crooked mile.

A confiding merchant who had much of the milk of human kindness in his makeup grew intensely indignant one day, when a friend suggested he had better watch his clerks. He insisted his employes were a high minded set of men and women who would scorn to do a dishonest thing. He was right—in the main. But events revealed three black sheep in that high minded flock who actually stole the merchant to the very verge of ruin.

No matter what kind of store you are operating have such restrictions that your employes will find it difficult to be dishonest.

The manager of a large city variety store one day put in stock a large assortment of a new style collar. Two or three days later every girl in the store was wearing such a collar. He had no means of knowing how many collars had been purchased or how many had been filched from stock. But the incident made him think. And he put into effect a system regulating the purchase of goods by employes. Under the new system any girl in the store could purchase any article at a reduction of 10 per cent from the retail price. First, however, she must go to the bookkeeper and get a slip of paper upon which would be listed the various articles she would want to purchase together with the prices of the same. This slip must be returned to the store office with the goods. No girl was allowed to sell goods to herself and the fact that all goods bought had to be returned with the slip to the store office meant that no girl would favor another by giving more goods than the slip called for.

Some people will regard a precaution of that kind as something mean and cheap. Undoubtedly at least eight of the ten girls employed in that store would have scorned to take a penny's worth dishonestly. But the way was opened for the others. Hence, the system.

The amount two dishonest girls might take would be small. But it would constitute one of the thousand little insidious leaks that in the aggregate can drain away a store's life. Such precautions are not cheap nor mean. They are part of a wise business policy.

There also is the waste of incompetent help. Some people could not learn if you taught them for ten years. Anybody is willing to put in time teaching a man or woman to do a certain kind of work after a proper degree of persistence and intelligence is shown. But if a person, through lack of head power or through a "don't care" attitude, keeps on making mistakes, his presence in your store is a positive loss.

You should strive to gauge each clerk's ability and results so you will know whether you are gaining a profit on him. If a clerk does not pay you a profit you had better fill his place with another. You are not running a charitable institution. An indolent, incompetent, inefficient clerk can drive away more trade than a bright, live wire clerk can keep. Trade is hard enough to keep even under the most favorable circumstances. Stop up this leak.

Inefficiency in clerks can be either laziness, inability, or "freshness."

A rather poorly dressed man—he dressed poorly because he wanted to, not because he had to—went into a store one day to buy some goods. His check was good at the bank for an amount reaching to six figures. Yet, he looked as if he were worth just about sixty-five cents. A "fresh" clerk accosted him. He asked the young man if the store kept a certain article.

"No, we don't keep it," said the clerk, "we sell it."

"Not to me," snorted the indignant customer and he went out of the store disgusted.

The clerk was fired, as was right. But this was all the satisfaction the merchant got. That eccentric individual whose check was good for a fancy figure would not go into that store again.

Other wastes are in bookkeeping, wastes in figures and failure to charge all expenses, failure to discount bills—the list could well be a very long one. A man drives up to the store and calls for a sack of flour. A clerk carries it out, pauses for a moment for a friendly conversation with the customer, meets somebody else on the way in who wants to buy something—and then forgets to charge the flour.

In footing a customer's bill the figures may be added incorrectly. And you wonder where all your money goes.

Or you have an extra clerk for a day or two. When it comes time to let him go you pay him and forget to make the proper notation on your books. And so it costs you more to do business than you think.

You may not keep a proper record of your invoices and so forget to pay bills until the time for discount has expired.

Leaks—little, seemingly petty, leaks—these keep on dripping, dripping, dripping while you are not watching and finally make you ask yourself in real wonder "Where in the world are all the profits I should have made this year?"

An ever present sin in the average store is the waste of time. This is because the work is not divided up in a systematic manner. Make each clerk responsible for a certain division of the work and if he cannot keep it up fill his place with one who can.

There always is something to do in every well regulated store. The lack of customers is no sign that you and your helpers can gather around in a merry social group and swap stories. All the time at the disposal of yourself and your clerks should be spent either selling goods, working upon goods, buying goods, displaying goods or advertising goods. This is a pretty big order. And if you insist on it being rightly done there will be little waste of time in your store.

Do you waste time in your buying? This kind of waste is a two-edged sword that cuts into your profits both ways. It reduces the time you have to push the selling. It separates you from the profits that always are gained from efficient, judicious buying.

You already have read elsewhere in this book how customers of Butler Brothers can save time and money in their buying. "OUR DRUMMER" is the world's greatest first aid to the merchant who wants to save time as well as make money in his buying.

Time, when you come to consider it, is really one of the greatest things in the world. If a merchant wastes his time he is doing worse than wasting his money.

How about your lights? The chances are you burn more gas and electricity than you need. Have plenty of light—a great plenty. But do not be extravagant. Consult with your local electrician or some other lighting expert—there is such a person in every town—and he will help you get your store lighted correctly. Light costs money. If you have more than you need, you are paying more for it than you need to pay. Have a system in your lighting.

Other leaks, small singly, but large in the aggregate, can be seen in extravagance of supplies, careless wrapping, careless handling of merchandise in a way that injures it, throwing away things that may be useful. We know of merchants who construct out of waste material all the fixtures they need for their windows. This not only stops a waste in the material, but in time and in money.

Try to utilize everything about the store to the end of making a profit.

CHAPTER XVI.

A Final Word

IN the foregoing chapters we have endeavored to set before you, without frill or fancy, the exact truth about certain great fundamental principles of successful retailing.

There has been no attempt at "fine writing." It has been our effort to talk about these tremendously important things in a straightforward, sensible manner, as from business men to business men.

It is our conviction that this book answers in a very large measure the questions about SYSTEM that the average live business man asks himself sooner or later—that EVERY business man asks himself as soon as his store begins to grow.

We have shown that the great duty of every man who has a store is to KNOW that store—and that the only way of knowing is to keep accurate accounts. Proceeding on our usual plan of never pointing out a need to the merchant without offering something to supply it, we have presented various systems of bookkeeping, some one of which is sure to fit your store.

We have shown how to figure profits, how to apportion expense, how to calculate turnovers.

We have shown the importance of an inventory—a truthful inventory—and also how to take it.

The important subjects of stockkeeping and price advertising have been made plain and the way of keeping track of them illustrated in full.

Methods of changing from credit to cash and of collecting money have been worked out in detail.

Credit—that most precious possession of the merchant—is described in an unusual and frank manner.

Fire insurance is treated from the standpoint of the layman.

How to make a profit on freight is shown comprehensively.

Various merchants' problems are taken up. Various store troubles are recounted and remedies suggested.

We have given you some ideas about branching out; about buying; about knowing your customers; about laws you ought to know; about banking; about how to stop up store leaks.

If, after reading these chapters, you wish further information or desire assistance in applying any of the ideas to your specific needs we invite you to write us freely and as many times as you choose.

"When in doubt, ask Butler Brothers." This is the invitation our Expert Service Department wishes most earnestly to impress upon every customer of Butler Brothers. Use this book. And supplement it by using us. We are at your service.

We think we can say without conceit that in sending out this book on SYSTEM we are accomplishing something worth while for the merchants of America. We don't know that it will make their work easier. But we are sure it CAN make their work more resultful—and that it will enable them to KNOW how to work more resultfully and see the RESULTS as they go along.

In this way our customers can have a happier, busier, more profitable and more certain present, and a correspondingly greater future.

The future, did we say? What of the future?

The store of the future will live and grow in proportion to its ability to LIVE AND GROW NOW—to learn well the lessons of NOW, and thus have a foundation for learning the lessons of to-morrow as they come up.

The retailer who is willing to pay the price of success NOW need not worry about the future. The large clouds of gloom that some people imagine they can see in the retail merchandising sky are mostly the "thick-coming fancies" that Shakespeare spoke of.

> How does your patient, doctor?
> Not so sick, my lord,
> As she is troubled with thick-coming fancies.

These lines of the "man of infinite variety" suggest the situation in many a retail store today.

The merchant who imagines his store is sick soon will have a sick store on his hands. If he dissipates his energy by fretting over tomorrow, instead of BUILDING for it, his store may not be here when tomorrow's sun dawns.

The man who wants trouble and hunts for it always can find it.

And the man who wants sunshine and hunts for it never fails to get it.

There is in this world more goodness than badness, more light than darkness, MORE SUCCESS THAN FAILURE.

You may have your choice.

Which shall it be?